



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

An exploratory study of the Financial Sustainability of the Non-Profit Sector in Lesotho

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A minor dissertation submitted in partial fulfilment of the requirements for the award of
the degree of Master of Social Science in Social Policy and Management

Faculty of the Humanities

University of Cape Town

[2019]

COMPULSORY DECLARATION

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people, has been attributed and has been cited and referenced.

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Abstract

The non-profit sector plays a significant role in development in Lesotho. The sustainability of the NPOs is important; however, there is limited research on Lesotho's non-profit sector, in particular, on its financial sustainability. This study has explored the financial sustainability of the non-profit sector in Lesotho in particular, the factors that affect the sustainability of non-profit organisations.

A qualitative methodology was adopted which used a semi-structured interview guide. The data was collected primarily through in-depth interviews with 20 Non-Profit organizations based in Maseru, Lesotho. The sample was selected from organizations, which were registered with the Lesotho Council of Non-governmental Organizations. Purposive sampling, which used a non-probability sampling method, was chosen to select the 20 NPOs that participated in this study. The data was analysed and presented thematically according to the main research objectives.

The findings revealed that the financial sustainability of Non-Profit Organizations in Lesotho is severely challenged. NPOs depend on donor funding as a major source of funding. The NPOs founded locally had a greater struggle to get funding than the international NPOs which were guaranteed the support of their international organizations. The sustainability of these NPOs was threatened by several factors, however, Lesotho's political instability was a threat to all Non-profit organizations' sustainability because it resulted in the withdrawal of external donor funding. The findings revealed that donor funding has dwindled over the past couple of years. Nevertheless, international donors were still the most consistent sources of funding for the NPOs in Lesotho. All the NPOs in this study received international donor funding. Only a few that received government grants, which was also very unsatisfactory. The data also revealed that the NPOs struggled to raise sufficient funds and the majority did not have staff who were devoted to fundraising.

Key recommendations are that: the NPOs in Lesotho need to explore other income generating activities to improve their financial sustainability; they also need to strengthen their fundraising capacity by training their staff in fundraising; and, lastly, they need to improve their online presence, as the internet has become an important fundraising tool.

Acknowledgements

I would like to thank my mother Me' Topele for her amazing support, for being the wind beneath my wings throughout my Master's journey. Thank you for all the sacrifices, the financial and moral support. Your support is highly appreciated.

I would also like to express my gratitude to my supervisor, Professor Eric Atmore, for his patience, his guidance and the direction he gave me as I was writing this dissertation.

Most importantly, I would like to thank the Non-profit organizations that took time out of their busy schedules to participate in this study. Without you, this study would not have been possible, I am eternally grateful.

I would also like to thank the Director of the Lesotho Council of NGOs for connecting me the non-profit organizations that were willing to participate in this study.

To my family and friends who supported me during this journey, thank you and I appreciate your support.

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Acronyms

EU	- European Union
LCN	- Lesotho Council of Non-Governmental Organizations
NGO	- Non-Governmental Organization
NPO	- Non-profit Organization
UNDP	- United Nations Development Programme
UNFPA	- United Nations Population Fund
UNICEF	- United Nations Children's Fund
USAID	- United States Agency for International Development

Chapter One: Introduction

Introduction

This chapter begins with the problem statement, the geographic location of the study and the rationale for the study. In addition, the chapter introduces the research topic, the main research questions, the research assumptions, key concepts are defined and the main ethical considerations are presented.

1.1 Statement of the problem

Non-Profit organizations (NPOs) play a very crucial role in society as they work for the betterment of society by providing social services. Across the globe, there has been an increase in the numbers of NPOs over the years and this has made funding a more complex issue (Weerawardena, McDonald & Mort, 2010). Financial sustainability is an important factor for the long-term existence of any organization, and inadequate funding has resulted in poor financial sustainability. An organization that is not financially sustainable cannot survive. Tucker, Thorne and Gurd (2013) state that non-profit organizations operate in an environment where there is great competition for resources, and they are responsible to multiple stakeholders who are constantly demanding proof of their effectiveness and how they plan to improve their results.

In recent years, there has been a rise in the number of NPOs in Lesotho (Smith & Boddie, 2008:17). According to Bauer and Motsamai, (2007: 164), the impact of these NPOs and their contribution to development activities are improving in Lesotho as well as in other countries. However, according to the Lesotho Council of Non-Governmental Organizations (2005), some hard-working NPOs in Lesotho struggle to survive financially. This is a greater challenge for NPOs in a poor country like Lesotho where the majority of citizens need services provided by NPOs.

1.2 Geographic Location of the Study

Lesotho is a small landlocked country in Southern Africa; it is surrounded by South Africa. The entire Lesotho population is estimated to be 1.9 million. About half of Lesotho households live below the national poverty line. Moreover, 45% of the population is unemployed (Smith & Boddie, 2008: 3). According to Patel, Midgley and Ulriksen (2013), Lesotho is one of Africa's poorest countries. It is ranked among the 49 least developed

countries in the world (Patel et al., 2013). Lesotho depends on South Africa for, among other things, jobs, higher education, and different kinds of resources (Smith & Boddie, 2008).

Fox and Fisher (1993: 7) state that the non-profit sector in Lesotho is similar to the non-profit sector in neighbouring countries and other parts of Africa. Lesotho gained its independence in 1966. After independence the non-profit sector began to grow. According to Smith and Boddie (2008: 17), it is not clear how many NPOs existed before independence and after. However, there were fewer than 300 NPOs operating in Lesotho in the early 1990s. In addition, Smith and Boddie (2008: 17) found that the majority of the NPOs were home-grown; while 10% of the NPOs were members of international organizations, five percent of these had their headquarters in Europe or the United States of America.

1.3 Rationale of the Study

Smith and Boddie (2008: 3) describe Lesotho's many challenges, which include economic and social problems. Lesotho is one of the least developed countries in Africa with high unemployment, widespread poverty and a high prevalence of HIV/ AIDS. Over the years, these problems have escalated. NPOs have been the main support of most of the efforts to alleviate poverty and a variety of other social ills and prevent the further spread of HIV/ AIDS.

According to Davids (2010), a number of NPOs, which aimed to strengthen the economic participation of the poor, started up and began delivering basic services. They attempted to implement betterment programmes that governments had failed to deliver. However, as Conradie (1999) pointed out, NPOs are established but soon run out of money. Moreover, as Matsimbi and Mtapuri (2014: 716) have shown, the financial sustainability of these important stakeholders of development is under threat.

Herbst (2014: 86) has stated that NPOs globally encounter funding related challenges. Financial sustainability is important to every NPO. They need funds to pay salaries and cover administrative costs and the cost of implementing their programmes. Studies have revealed that NPO funding has declined over the past few years. For example, Matsimbi and Mtapuri (2014) have stated that the NPO sector worldwide has witnessed a radical decline in donor funding. According to the Social Planning Network of Ontario (2015: 16), globally the situation of non-profit funding worsened over the past 15-16 years. Research on donor funding, in particular the reasons for the drop in funding, is necessary for a proper understanding of the threats to the financial sustainability of the NPOs in Lesotho.

Considering all the social problems that Lesotho faces, it is necessary to find ways to help the NPOs to survive when the economy is crumbling and social problems are escalating. It is important to find out if the NPOs in Lesotho have the finances to continue providing services to the people and assisting the government with development projects. In addition, there is very limited research conducted on NPOs in Lesotho. Therefore, this study is necessary in order to fill the gap. It is hoped that the findings will produce insightful suggestions on how NPOs can address the sustainability challenges.

1.4 Research Questions

The following are the research questions of the study:

How financially sustainable are NPOs in Lesotho?

Who are the current sources of funding?

What are the NPOs' current fundraising strategies?

1.5 Research Objectives

The main objectives of this research study are:

To understand the financial sustainability of NPOs in Lesotho;

To ascertain these NPOs' sources of funding;

To examine the fundraising strategies of these NPOs.

1.6 Research Assumptions

The key assumptions in this study were:

- NPOs in Lesotho are not financially sustainable without donor funding
- Considering the socio-economic status of Lesotho, the assumption is that the financial sustainability of NPOs in Lesotho is threatened.
- NPOs in Lesotho have limited sources of funding
- NPOs in Lesotho struggle to implement successful fundraising strategies.

1.7 Concept Clarification

Financial sustainability: Smit (2014: 119) defines financial sustainability of an organization as its ability to maintain and fund its planned endeavours for a number of years. According to

Abt. Associates Inc. (1994: 4), the resources that remain after the expenses have been paid can measure the financial sustainability of an organization. Therefore, financial sustainability is determined by the net value of an organization's funds. The sustainability of an organization is based on its ability to continue its mission to serve its stakeholders over a time. This requires full commitment at all levels of the organization since sustainability is a process and not an event. An organization's financial sustainability is, therefore, its ability to obtain income in order to keep projects going or growing, in order to fulfil its goals without over-dependence on donor funding.

Fundraising: Fundraising is the act of sourcing resources needed to implement an organization's plans. Fundraising boosts annual operational and capital budgets (Costa, 2005).

Non-Profit Organization: According to Bauer and Motsamai (2007: 160), a Non-Profit Organization in the context of Lesotho is an organization that is not owned by the government and does not operate to make a profit for its own benefit.

Non-Profit Sector: An established community that is separate from the state and market sectors, which is focused on social issues. It is also referred to as "the third sector" (Morrison, 2010). The main goal of this sector is to produce a public or collaborative good for a society (Weisbrod, 1998).

1.8 Main Ethical considerations

"Ethics is a set of moral principles which is suggested by an individual or group, is subsequently widely accepted, and which offers rules and behavioural expectations about ...[the] correct conduct towards experimental subjects and respondents, employers, sponsors, other researchers, assistants and students." (De Vos, Strydom, Fouche, & Delport, 2005: 57). There are several ethical considerations that were observed in this study, namely, informed consent, voluntary participation, anonymity, confidentiality and no deception.

1.8.1 Informed Consent

Bulmer (2008: 150) defines informed consent as one of the most important principles and as more of a general principle in research. Informed consent means that a participant in the study must be fully informed about the study; this includes the purpose of the study, how confidentiality will be maintained and the potential risks involved (Bulmer, 2008). In this study, informed consent was observed by giving the participants all the necessary information

pertaining to the study, which was mentioned in the objectives and purpose of the study. Every participant signed a consent form (See Appendix B) before each interview as proof of consent.

1.8.2 Voluntary participation

According to Babbie & Mouton (2001: 521), voluntary participation means that the participants should take part in the study of their own free will. The subjects must also know that they are not obliged to be part of the study if they do not want to do so (Babbie & Mouton, 2001). I informed the participants that they were not obliged to be part of the study. The participants took part willingly.

1.8.3 Anonymity

According to Babbie and Mouton, (2001: 522) anonymity has to do with protecting every participant's identity. This study was conducted in a manner that protected the subjects' identities by keeping them anonymous. The participants were not referred to by the names of their organization. Instead, each NPO was given a unique number, ranging from 1 to 20; all the responses from each NPO were assigned the same number throughout. They were all called participant 1 to 20 (P1-P20).

1.8.4 Confidentiality

Babbie and Mouton (2001: 523) state that in a confidential study the researcher can identify confidential information from participants but must still ensure that confidential information cannot be traced back to the participants. Confidentiality was maintained, as I did not make public the identity of any of the participants.

1.8.5 No deception

According to De Vos, Strydom, Fouche, and Delport (2011: 118), deception involves misleading participants and/or intentionally withholding necessary information about the study from them. From the beginning, I disclosed the reason for the study in order to ensure that participants were not deceived or given false hope or unrealistic promises.

1.9 Chapter Overview

Chapter 1: The first chapter introduces the significance of the study for the NPO sector in Lesotho. The chapter also explains the context and rationale for the study and then presents the research questions, objectives and clarifies the key concepts.

Chapter 2: This is the literature review chapter. It presents the relevant literature on the financial sustainability of the NPO sector. This chapter also looks at the theoretical and legislative framework related to the study.

Chapter 3: This chapter presents the research design and the methodology adopted in this study. Furthermore, the chapter justifies why the chosen research method was appropriate. The limitations of the study are also discussed in this chapter.

Chapter 4: The findings and discussion chapter presents the results of the study and some critical comments on the findings, the discussion of the findings is made with reference to existing literature.

Chapter 5: The final chapter discusses the conclusions, which are based on the findings. The chapter also presents recommendations about the financial sustainability of NPOs in Lesotho. These recommendations are directed at the non-profit organizations and the Government of Lesotho.

1.10 Summary

This chapter introduced the research study. The chapter began with the statement of the problem, followed by some details about the geographic location and the relevance of the study. This chapter also presented the objectives of the study, the research assumptions and definitions of the key concepts. This chapter ended with a description of the research ethics that I was bound by and an outline of the five chapters of this dissertation.

Chapter Two: Literature Review

2.1 Introduction

This chapter presents a discussion of literature relevant to the study and which link to the main research objectives. I drew the content from scholarly journal articles that were online, print journals, books, and selected websites. This chapter begins with an examination of the legislation, which governs the operation of NPOs in Lesotho; followed by the theories that underpin this study. The literature is grouped under the five themes which relate to the research objectives: the financial sustainability of these NPOs, factors threatening NPOs' sustainability; the sources of NPO funding; NPO experiences with donors; and fundraising strategies adopted by NPOs.

2.2 Legislation for NPOs

According to Mashinini and De Villiers, (2002), the Government of Lesotho does not have a specific policy or legislation that deals with NPOs. For this reason, in 1998 the United Nations Development Programme (UNDP) encouraged the Government to consult the NPO sector about formulating a policy for regulating the operation of NPOs (Mashinini & De Villiers, 2002). However, 20 years later there still is no specific policy, nor any legislation guiding NPOs operating in Lesotho. Therefore, the NPOs are registered under the Lesotho Societies Act no. 20 of 1966. In addition, Section 16 of Chapter II of the Constitution of 1993 makes provision for people's association with NPOs.

2.2.1 Societies Act No 20 of 1966

A society, according to the Lesotho Societies Act No. 20 of 1966, "...includes any club, company, partnership or association of ten or more persons, whatever its nature or object." Registration, however, is not compulsory. The Act makes provision for NPOs, which include religious communities or charities that provide relief for the distress of the poor, sick, disabled or aged persons, to register under the Act (Lesotho Societies Act No. 20 of 1966).

According to Fox and Fisher (1993: 58), the registration of NPOs in Lesotho is undertaken by the law office or can be done through an attorney. Registration allows NPOs to apply to the Department of Sales Tax in the Ministry of Finance to be exempted from sales tax, and to the Customs and Excise Department to be given import duty concessions. As for international NPOs, country agreements are made through the Ministry of Foreign Affairs and registration is made under the Societies Act No. 20 of 1966. In addition, NPOs are required to establish a

relationship with the Ministries under which their projects fall. For instance, NPOs with education projects are expected to work together with the Ministry of Education (Fox & Fisher, 1993).

2.2.2 The Constitution of Lesotho of 1993

The Constitution of Lesotho of 1993 also covers non-Profit organizations. Section 16 of Chapter II of the 1993 National Constitution provides for freedom of association; non-profit organizations are regarded as groups of like-minded people that pursue specific goals, which promote the development of the general community. Section 16 (1) of the Constitution of 1993 states that...“every person shall be entitled to, and (except with his own consent) shall not be hindered in his enjoyment of freedom to associate freely with other persons for ideological, religious, political, economic, labour, social, cultural, recreational and similar purposes.” Therefore, the Constitution of Lesotho allows non-profit organizations to operate freely in the country.

2.3 Theoretical Framework

2.3.1 Systems theory

The theoretical perspective underpinning this study is Systems Theory. Daft (2010: 47) defines Systems Theory as “an extension of the humanistic perspective that describes organizations as open systems characterised by entropy, synergy, and subsystems[‘] interdependence.” A system is a set of interconnected parts that work together to fulfil the same purpose. Systems are differentiated by type; there are open systems and closed systems. Organizations are considered to be an open system; this type of system interacts with the external environment and is influenced by various factors, including social, political and economic factors (Daft, 2010).

A system is made up of subsystems that are linked to one another and together form one system. Changes to one subsystem affect the whole system. An organization is a system that must be managed as a whole (Daft, 2010). Similarly, NPOs are made up of subsystems which make up the organization. NPOs also interact with the external environment and are influenced in one way or another by social, political and economic issues in the context where they operate.

This theory is relevant to this research study because NPOs are a system with many integrated parts. Management, finance, funders, programmes and staff are all part of a

system. Each part is dependent on the other. Finance is a very important part of the NPO system. If there is no finance or funding an organization will not be financially sustainable and consequently, all subsystems will then collapse. When an organization is not financially sustainable it cannot pay its employees or run programmes or provide day-to-day services.

All these are part of a single unit which is the organization. Every part is crucial to the entire system as they work together to accomplish the organization's mission and goals. Systems Theory basically shows that the malfunctioning of one aspect of an organization could lead to the collapse of the entire system. If an organization is not financially sustainable it could collapse or close down. An organization that is financially sustainable enables the other parts of the system to work efficiently.

2.4 Themes linked to research objectives

2.4.1 The Financial Sustainability of NPOs

According to Weerawardena (2010: 352), financial sustainability is a challenge for most NPOs due to the fact that the majority of NPOs seldom have enough reserves in the bank that can sustain them for a year or two. Iwu, Kapondoro, Twum-Darko and Tengeh, (2015: 9562) argue that sustainability is closely related to effectiveness. These two concepts should be equally important in the case of NPOs and the effectiveness of an NPO depends on its sustainability.

The Lesotho Council of Non-Governmental Organizations (2005) states that financial sustainability is a challenge for NPOs in Lesotho. Viravadyia and Hayssen (2001) put forward the idea that even NPOs privileged enough to have all their current operating costs covered may be uncertain about future funding. In addition to the existing challenges to the financial sustainability of NPOs, the 2007/2008 global recession has affected nations worldwide. Furthermore, the recession hindered the effective delivery of social services in Africa and elsewhere. Although the recession was a global crisis, its impacts have affected African countries more than those on other continents (Gwandure & Mayekiso, 2013: 45). This financial crisis has created a dilemma worldwide, which threatens the successes in reducing poverty and improving health that the non-profit sector has brought about in developing countries (Bonnell, de Beyer & Bennet 2009). Moreover, Organizations in Sub-Saharan Africa began to feel the cuts in funding in 2006. These organizations have had to reduce their staff numbers and find alternative ways to raise funds in order to survive (Hanfstaengl, 2010).

An organization's financial sustainability can be measured in various ways, however the common way to measure it is the length of time in terms of days, months, and years an organization can survive without further funding. However, considering the unstable funding environment of the NPO sector, 90 days sustainability is considered as a minimum period required (Smit 2014: 119) .

Gebreselassie-Hagos and Smit (2013: 114) found that due to the recession 61% of NPOs in South Africa would have to close down if they stopped receiving funding, as they did not have the reserves to sustain future endeavours. Gebreselassie (2011: 63) stated that 54% of NPOs in South Africa had cash reserves while the other 46% did not have them. Fifty-one percent of South African NPOs indicated they had seen a decline in the funding that they received from donors. A study by Harding (2014: 90) showed that to manage deficits in times of crisis, 66.3% NPOs had cash reserves while 33.7% did not have any reserves. Kilbey (2010: 67) found that 51% of the NPOs in South Africa were operating with a surplus while 26% were operating with a deficit of about five percent of their income. However, other NPOs in Kilbey's (2010) study indicated that their organization still found it difficult to survive. The decline in donor funding has affected Sub-Saharan countries such as South Africa, Zimbabwe, Lesotho, Swaziland, Kenya, Botswana, Zambia, Malawi, Tanzania and Uganda, most particularly, in the provision of health-related social services (Gwandure & Mayekiso, 2013: 47).

According to Smit (2014: 119) there is not a fixed number of days that determine how long an organization can survive without further funds as organizations differ in many ways, including the reserves each organization has. Gebreselassie (2011: 52) found that 18% of organizations in South Africa could survive for one to six months without further donor funding. Twenty-one percent of these NPOs could survive for seven months or more and only five percent could survive for more than a year without further donor support. Harding (2014: 91) established that 26.15% of organizations in South Africa had reserves that could sustain them for one to three months, 27.69% of the organizations had reserves that could sustain them for four to six months, 20% could survive for 10 to 12 months. Additionally, 13.85% of NPOs could continue their services for 12 to 18 months, while only one organization could do so for 10 years.

Kanithi (2010: 147) found that NPOs in developing countries such as India, NPOs could survive for five months without donor funding. South African NPOs, on the other hand,

would survive for eight months; Pakistani NPOs could survive for only two months. A study based in Uganda revealed that most NPOs there struggled at the beginning and only became stable after three years or more (Fafchamps & Owens, 2009).

2.4.2 Factors threatening Sustainability of NPOs

The sustainability of NPOs is influenced by political, economic, social, environmental, technological and legal factors. Political and economic factors play a big role in the sustainability of NPOs (Iwu, et al., 2015). According to Weerrawardena et al. (2010), the lack of a reliable income is one of the major limitations to the sustainability of the NPO sector. Matsimbi and Mtapuri (2014) argued that among other things NPOs sustainability is threatened by the lack of appropriate infrastructure, the lack of strong leadership, the lack of effective financial management, the lack of decent salaries, the reliance on unqualified staff, competition for funding, as well as greed and selfishness. Bauer and Motsamai (2007: 175) indicated that among the many problems that face NPOs in Lesotho, the challenge of poor management affects the growth and the funding of the NPO sector.

The Lesotho Council of Non-Governmental Organizations (2005) pointed out that some NPOs in Lesotho have small budgets and, as a result, they rely on unpaid and/or unqualified staff. This may be another factor which affects the sustainability of NPOs in Lesotho. Kanithi (2010: 138) found that NPOs in the developed and the developing countries had to deal with many threats to their survival. Eighty-four percent of the NPOs in this study indicated that their sustainability was mainly threatened by the lack of funding, 34% mentioned the lack of qualified workers, seven percent named political interruptions and one percent of the NPOs said that their sustainability was threatened because of financial mismanagement (Kanithi, 2010). Competition over scarce resources is also a factor that affects the sustainability of NPOs (Matsimbi & Mtapuri, 2014). Panday (1996: 1) has added that increases in the number of NPOs doing the same work has led to confusion of donors and the general public and has also resulted in high competition for resources. Furthermore, a few publicised cases of corruption and misuse of funds have resulted in strict rules when it comes to allocation and acquisition of funding for NPOs.

According to Maboya (2016: 42), the unstable economy is a threat to the sustainability of NPOs in South Africa. Kilbey (2010) in a national study based in South Africa found that 69% of NPOs felt that insufficient government funding was a major problem affecting the sustainability of NPOs. However, Kilbey and Smit (2014: 499) found that organizations did

not invest much effort in fundraising, and this affected their sustainability and independence. Smit (2014: 108) added that NPOs hardly employ highly qualified finance managers. This gives an impression that financial management in the NPO sector is not adequate. Furthermore, Smit (2014: 108) argued that the lack of effectiveness in financial management is evident in the number of NPOs that close every year.

Smit's (2005: 353) study on NPOs in the Western Cape, South Africa revealed that the future of 68% of NPOs was not financially secure; 75% said this was due to the scarcity of funding and 89% of the organizations said their organization's growth was affected by the lack of government funding. Sixty percent felt that they had received less funding from the government over the last few years (Smit, 2005). These results were consistent with what Gebreselassie (2011: 63) discovered, namely, that the survival of 80% of NPOs was threatened by the lack of funding. Seventy-four percent of these NPOs indicated that they had received little government support. Forty-eight percent of respondents said that NPO sustainability was threatened by the competition for scarce resources. The majority of the NPOs in Kilbey's (2010: 56) study also indicated that competition for funding was the major threat to their organizations' sustainability; in addition, 87% of these NPOs said that all sustainability challenges were related to funding.

Smit (2005: 353) has suggested something different, that "[The NPO sector's] inability to better secure itself despite all the strategic planning sessions it and welfare staff are forever attending cannot be blamed on government". Matsimbi and Mtapuri, (2014: 714) have argued that successful non-profits continue to be successful because of good management and leadership. This kind of leadership is one that raises their own funds and is less reliant on donor funds. However, this kind of management seems to be rare within the non-profit sector.

Hartwig and Merson (2008: 55) found that some of the factors that have affected the sustainability of NPO projects in Botswana, Lesotho, Namibia, South Africa, and Swaziland, have included the withdrawal of funding, staff and equipment shortages, as well as poor management. Gwandure and Mayekiso, (2013: 45) have attributed the withdrawal of financial support from international donors to NPOs in Sub-Saharan Africa to among other things poor governance and misuse of funds (Gwandure & Mayekiso, 2013: 45).

The Southern African NGO Network (2011) cited in Matsimbi and Mtapuri (2014: 712) stated that "...lack of funding and donors' tendency to channel funds through government departments by way of bilateral or multilateral arrangements are some of the factors

contributing to the decrease in donor funding in South Africa.” Governments have shown interest in certain types of NPO projects. Since governments often have the responsibility for administering funds which are provided by international and national organizations, this can affect the sustainability of NPOs that are less favoured (Hartwig & Merson 2008).

According to the Lesotho Council of Non-Governmental Organizations (2005), NPOs in Lesotho dread the closure of embassies of donor countries, because NPOs are often left bankrupt when donors leave the country. These donor embassies do not only offer financial support but also equip NPOs with strategic management skills. Mashinini and De Villiers (2002) have argued that low donor funding together with a lack of funding from within Lesotho indicate that the sustainability of local NPOs is under threat.

2.4.3 NPOs’ Sources of funding

NPOs have traditionally partnered with governments and have received a subsidy from government in exchange for their services (Gebreselassie-Hagos & Smit, 2013: 101; Nah & Saxton, 2013; Smit, 2014). The common method of funding within the non-profit sector has been the payment of grants by government, however, this funding has been reduced recently (Kilbey & Smit, 2014: 492).

Unlike for profits NPOs often offer their services free of charge. This contributes to the complexity of the funding situation within the sector (Smit 2014: 108). Normally, NPOs depend on the goodwill and generosity of others to cover the costs of their activities, which take the form of grants and donations. However, rising costs have resulted in shortfalls between the value of grants and the actual costs of NPOs’ operations (Viravadyia & Hayssen, 2001). Makoba (2002) has argued that one of the most common characteristics of NPOs is their dependence on donor funding. Nah and Saxton (2013) have added the observation that NPOs also receive funds from private funders.

Among the other options open to NPOs is dependence on wealthy individuals who can donate large sums; or on middle-income earners and the general public; or internet donations and service fees (Matsimbi & Mtapuri 2014). Weerawardena et al. (2010) have shown that NPOs derive a small portion of their income from service fees. However, this income is not sufficient to cover all their operating costs because many of their clients cannot afford to pay for their services because their financial resources are limited or non-existent (Weerawardena

et al. 2010). According to Fafchamps and Owens (2009), most NPOs in poor countries are seen as charities, and for small organizations membership fees and donations are essential, although they often do not charge fees.

Fafchamps and Owens (2009), add that NPOs receive support in various ways. These include financial grants, membership fees or other resources. Other resources include in-kind support such as volunteer workers, equipment and other facilities. However, in other third world countries in Africa, for example, Uganda, the International Monetary Fund is the most common provider of funding for NPOs (Fafchamps & Owens, 2009). Christensen and Weinstein (2013: 83) established that 97.5% of the income of the NPOs in Uganda came from international donors.

While NPO expenditures keep increasing, funding from donors has failed to increase in line with their budgets. Therefore, NPOs have become dependent on their own self-generated income, which is acquired through fundraising activities, selling services such as counselling to corporates and running their own businesses. This kind of income has been a success mostly in developed countries as more corporates can afford to make financial contributions to the non-profit sector Smit (2014: 111). Panday (1996: 1), indicated that it is estimated that only 10% of African NPOs' income is self-generated.

According to Smith and Boddie (2008: 18), the United States of America and Europe have invested in human and financial resources of social service practices in Lesotho. The United States of America and other western countries' donations to Lesotho have also helped to improve the skills levels and social services (Smith & Boddie, 2008). Similarly, Hanfstaengl (2010: 17) found that the majority of NPOs in Sub-Saharan countries have received the bulk of their funding from international donors.

In a study on NPOs in Lesotho, Mashinini and De Villiers (2002) found that Canada, Germany, Denmark, and the US state of California were the major funders of the NPO sector of Lesotho. In their study, all the NPOs were either totally or partly funded by countries in the northern hemisphere. A study conducted by Bauer and Motsamai (2007: 170) revealed that 80% of the respondent NPOs in Lesotho did not receive any funding from the Lesotho Government. Only 20% were funded by the Government and were to some degree accountable to government. Smith and Boddie (2008: 16) on the other hand found that only seven percent of NPOs in their study felt that the Government of Lesotho contributed significantly to the non-profit sector.

According to Hartwig and Merson (2008: 51), many NPOs are partially funded by their governments and should collaborate with them in order to be sustainable. Kilbey (2010: 65) has stated that NPOs in South Africa derive their income from different sources. Some of these sources include companies and individuals; service fees and membership fees are other sources and then there are special fundraising events. NPOs also received government funding in the form of subsidies, project grants or special grants. Government funding came from the national or provincial governments. Donations came from individuals and companies. The largest contributions came from trusts and foundations, followed by companies and, lastly, from individuals, groups and families (Kilbey, 2010: 99). NPOs in South Africa have received foreign donations from Europe, North America, Australasian and South American countries; some donations were regular, others were irregular. Most NPOs received funding from National Lotteries Distribution Trust Fund, and the Community Chest; they also received income from investments (Kilbey 2010: 100).

Smit (2005: 351) found that 88% of NPOs in the Western Cape, South Africa, had received a portion of their total income from the government. However, the majority of the NPOs showed that the funding that was received from government was insufficient. Kilbey's (2010: 55) findings were different from Smit's. Kilbey revealed that the largest percentage of the income of these organizations' came from government sources. Each organization that was supported by the government received approximately 59% of their total income from the government (Kilbey, 2010).

Weerawardena et al. (2010: 351) found that NPOs often received funding that had to be spent on specific projects. This kind of funding, however, requires greater accountability to donors and the competition is usually high. Iwu et al. (2015: 7591) suggested that another option for NPOs is to create income generating projects that will improve their financial sustainability and reduce their dependence on donor funding. Kilbey and Smit (2014: 500) agreed that NPOs have to create new sustainable income sources. However, as Maboya (2016: 42) has pointed out, most NPOs remain heavily dependent on donors even when they have explored other means of generating income.

2.4.4 NPOs' Experiences with Donors

According to Smit (2005: 350), all revenue sources have standards on how they allocate funds. However, in most cases, these requirements are not clearly defined and sometimes can be influenced by various factors. Gwandure and Mayekiso (2013: 45), on the other hand,

have argued that donor funding is frequently influenced by the politics of the donor countries, which determine which countries should or should not be funded. Smit (2014: 108) has indicated that there are many reasons that influence funding sources for NPOs. Some of them are; government funding policies, political and social interests and the economic situation which often determines funding from private sources.

According to Kilbey (2010: 93), one of the factors that donors consider when they fund organizations are the organizational goals including the mission statement and objectives. These factors are very important because they enable the donors to see the cause they are giving to. Weerawardena et al. (2010: 350) have added that some of the NPO services are not a priority for governments or donors. These NPOs lose out when it comes to funding so they have to fend for themselves if they are to survive (Weerawardena et al., 2010).

Many grants and donations carry conditions on the types of expenses that they may cover (Viravadya & Hayssen, 2001). Smit (2005: 354) found that obtaining funding to cover NPOs' operational costs was very difficult, and that donors preferred to fund projects which had a proven track record of good service delivery. Kilbey and Smit (2014: 487) agreed that getting funding for operational costs had become a major challenge for non-profit organizations. Smit (2014: 111) added that NPOs find it difficult to secure funding for salaries and office costs. They often get funding for specific projects such as buildings and vehicles. According to the Lesotho Council of Non-Governmental Organizations (2005), NPOs often find that donors will not fund staff salaries. In advanced countries it is easy to get volunteers because people there have a higher standard of living than the population of Lesotho, many of whom are unemployed and have no other means of livelihood.

According to Mashinini and De Villiers (2002), NPOs in Lesotho receive donations from northern industrialised countries. These donors specify the activities that they want to sponsor. Christensen and Weinstein (2013) have argued that there is a greater chance that conditions will be attached to donations from international organizations in countries that receive many external donations.

Fafchamps and Owens (2009) have stated that NPOs that attract donor funding are often highly reputable and can raise their own funds. These NPOs are managed by well-educated and connected staff who are skilled in writing good funding proposals and are well-practiced in applying for grants. NPOs that have been in existence for a considerable time are more likely to secure funding than those that are new and upcoming (Fafchamps & Owens, 2009).

Weerawardena et al. (2010: 351) add that NPOs have to prove to potential donors the importance of the services that they provide; the competition between NPOs for the relatively scarce donor funding is very high and this is an additional challenge (Weerawardena et al. 2010). With the continuing decline in donations, it is up to NPOs to show how effective they are if they want to secure funding. Donors are usually concerned with how the funding they give is used to promote the NPOs' objectives. It has become difficult to attract donors. Therefore, it is necessary for NPOs to be independent and be able to raise their own funds. Most donors will screen NPOs for effectiveness as a condition of receiving funding. These are some of the factors that donors look at; the kind of services that NPOs provide, the types of projects they undertake, whether they have other means of generating income and certain legal matters.

According to the Lesotho Council of Non-Governmental Organizations (LCN) (2005), NPOs find it difficult to communicate with international donors and they rely on organizations such as LCN to do it for them. Some donors want the government to disperse the funds that are donated and do not want to deal directly with the NPOs. This happens when there are bilateral agreements and all resources must be channelled through the government. As a result donors do not know what programmes the NPOs are developing. This assistance is often limited to small grants (Lesotho Council of Non-Governmental Organizations, 2005). Fafchamps and Owens (2009) have a contrary observation, that donors sometimes refrain from allocating funds through government in order to avoid getting involved in corruption and political squabbles. Christensen and Weinstein (2013) found that more donors give funding directly to NPOs because they think NPOs are more efficient than government departments.

Some donors' funding criteria favour NPO projects that are aligned with government programmes. In one study of NPO projects in Botswana, Lesotho, Namibia, South Africa and Swaziland, the relevant government ministries were asked to assess NPO services to determine their eligibility for funding. Although this is not a common practice, it shows the importance of working together with the government (Hartwig & Merson, 2008).

Some donors who were committed to funding NPOs in Sub-Saharan Africa are reducing funding or have changed what they choose to fund. Many donors leave Sub-Saharan Africa or reduce their funding without letting the recipient organizations know that they are moving to other parts of the world (Gwandure & Mayekiso, 2013: 45). The drop in funding has

created a situation where it is rare for NPOs to obtain funding from the same source for longer than two or three years (Weerawardena et al., 2010: 350). Furthermore, International donors now favour NPOs in South Africa over other countries in the Southern African Development Community (SADC), after years of having funded unsuccessful projects in these countries (Mashinini & De Villiers, 2002: 68). Some donors have stopped funding Sub-Saharan countries because in the past the funds were misused (Gwandure & Mayekiso, 2013: 48).

There is little or no trust between international donors and some African governments. This is because they tend not to follow constraints that come with donor funding. The donor and recipient relationship must be nurtured if donors are to make a long-term commitment. Both parties must keep to the terms of agreement about the utilisation of resources (Gwandure & Mayekiso, 2013). This is the situation in Lesotho, as there seems to be a lack of trust between the NPOs and the donors. According to the Lesotho Council of Non-Governmental Organizations (2005), NPOs sometimes miss out on grants because donors think the grants or facilities will be misused. When a donor withholds funding from a programme the organization providing it may collapse, yet, the donors and international NPOs may often employ staff from the now defunct organization. One NPO described the situation as “International NPOs com[ing] and attract[ing] funding from all over the world and bullying Lesotho NPOs into areas they work.” (Lesotho Council of Non-Governmental Organizations, 2005).

Because there is a lack of local funding and overdependence on international donor funding the donors have the power to influence decisions and dictate how NPOs in Lesotho operate (Mashinini & De Villiers, 2002). According to Gwandure and Mayekiso (2013: 49), donors want to fund organizations that are well managed, transparent and are accountable for the ways they use the resources that have been allocated to them. In order to maintain a funding relationship there has to be mutual understanding between the donors and the recipients (Gwandure & Mayekiso 2013)

According to (Smit, 2005: 355), corporate funding comes with many restrictions as businesses are very specific about the type of activities that they will fund and this can threaten the sustainability of NPOs. NPOs in the Western Cape, South Africa, have found it is more difficult to get funding from the business sector, than from the government and other

sources. Panday (1996: 1) has added that many corporates have their own social responsibility programmes and are very particular about what they fund.

Donors want proof that a service has been or is being delivered. In addition, they want to see that an organization is not totally reliant on what the donor offers (Kilbey & Smit, 2014: 487), but has other means of funding its activities. Fafchamps and Owens (2009), have pointed out that donors trust NPOs with a good track record and are more likely to support them financially. Organizations that are under the umbrella of international NPOs, or are led by or are part of an international network are more likely to receive grants from donors. Smith and Boddie (2008) found that Lesotho NPOs with international headquarters had bigger budgets and were more likely to receive international funding than the locally founded NPOs. According Muriithi (2014: 46), donors more readily trust NPOs with good reporting structures and leaders, and donors are more likely to fund them.

In some countries, NPOs cannot simply enter an agreement with any donor organization; they have to go through official channels and follow the prescribed protocols which have been laid down in government legislation. Some countries have restricted donations from foreign organizations so that local NPOs find it difficult to access funds from international bodies. For instance, in Rwanda and Uganda, if local NPOs want to receive international funding they must have an account with a bank that meets the conditions laid down by the government. The Government of Uganda has passed laws which bar foreigners from working in NPOs unless there are no qualified Ugandan citizens. However, donors also place their own conditions on governments so that the former can regulate or restrict what the funds are used for (Christensen & Weinstein, 2013).

According to Christensen and Weinstein (2013), governments often impose limits on funding from external donors in order to prevent political disruption. For example, in 2005 the Ethiopian Government placed controls on foreign donations in order to prevent certain organizations, particularly those involved in politics, from receiving outside funding. As a result, these organizations received only 10% of their funding from external donors. Furthermore, Christensen and Weinstein (2013: 80) found that about 26% of the members of the United Nations restrict donor funding as a means of avoiding political instability in their countries.

Donors also have an interest in whether NPOs comply with the laws of their country and whether they are registered with a national oversight body (Iwu et al., 2015: 9563). Kilbey

(2010: 92) found that donors showed an interest in the sustainability of the NPOs that they fund. Ninety-one percent of the NPOs in South Africa indicated that donors wanted evidence of what other options in addition to donor funding that these NPOs had invested in to improve their sustainability. However According to Weerawardena et al., (2010) NPOs are concerned that if they set up business ventures to improve their sustainability this will have a negative impact on their governments' willingness to continue funding NPOs.

Many NPOs face challenges when working with donors. Some of the problems that they encounter include receiving less funding than they had requested, unclear funding criteria, having to wait for a long period before receiving the funding that has been allocated to them, political interference, and management issues (Smit, 2005: 358). NPOs face closure every year because their expected income arrives too late or they end up not receiving it at all (Smit 2014: 119). Kilbey (2010: 93) found that NPOs will go as far as changing their mission in order to meet donor funding criteria. Some of the NPOs in this study said they created new projects or adjusted their projects so that they would be eligible for donor funding. Maboya (2016: 41) also found that the financial sustainability of NPOs in South Africa depends on maintaining good relations with donors.

According to Smit (2005: 354), the funding situation has worsened over the past couple of years. The participating NPOs in his study indicated that government funding had also been shrinking year after year. There had also been some concern about the amount of funding received from donor agencies, the latter have not raised enough funds so they have not been able to increase their funding of NPOs (Smit, 2005: 355).

2.4.5 Fundraising strategies adopted by NPOs

Smit (2014: 118) stated that an organization must have a fundraising strategy in order to secure sufficient funding. A fundraising strategy requires relevant skills in the funding environment to analyse opportunities and threats organizations face. Acquiring sufficient funding is essential for sustainability of an organization, therefore an organization has to be vigilant in determining their financial needs, managing their finances and being accountable (Smit 2014: 112). According to Weerawardena et al. (2010: 351), the fierce competition for funding has driven NPOs to turn to business-type ventures. However, Anheier (2000: 5) stated that non-profit organizations cannot operate completely like businesses. Maboya

(2016: 47) found that some NPOs were hesitant to get into business because as an NPO their mandate would be questioned.

Smit (2014: 118) has also indicated that the NPO sector is quite reluctant to get into businesses and seems to be more comfortable with traditional fundraising activities. Viravaidya and Hayssen, (2001) have argued that most NPOs are too dependent on unreliable and untenable sources of funding and they have had to explore other sources of income if they are to meet their goals. The adoption of new and innovative fund-raising methods are the usual the first step. According to Hanfstaengl (2010), since 2006 when funding started to drop off the majority of organizations in Sub-Saharan Africa have had to find alternative forms of fundraising.

Weerawardena et al. (2010: 354) have argued that the need for financial sustainability and the competitive NPO environment has pushed NPOs into exploring other means of supporting themselves financially, rather than relying on government. Kanithi (2010: 145) found that NPOs in developed and developing countries use web-based technologies and offline fundraising strategies. Offline strategies include direct requests to companies and selling goods. Online fundraising strategies include selling goods from a website, sending out e-mail requests, maintaining a presence on social media and making use of other web-based technologies.

Viravadyia and Hayssen (2001) have indicated that other funding strategies involve service fees, where beneficiaries or clients of the NPO pay part of programme costs. Some NPOs make money from commercial projects. NPOs in developed countries have been particularly successful at expanding their sources of funding in this way (Viravadyia & Hayssen, 2001). According to Kanithi (2010: 147), online fundraising was the most common way of fundraising used by NPOs across the globe.

Lack of fundraising skills is a major challenge to the sustainability of many NPOs (Matsimbi & Mtapuri, 2014). Kilbey and Smit (2014: 487) have stated that carefully planned and well-organised fundraising is essential for the financial sustainability of organizations. Fafchamps and Owens (2009) revealed that NPOs that are well connected and have a suitably qualified leadership are more likely to secure donor funding and raise funds on their own. Consequently, more funding goes to competent NPOs that have been operating for a long period. However, because of the nature of their work some NPOs find it difficult to raise funds or get funding (Fafchamps & Owens, 2009).

Iwu et al. (2015: 7591) have suggested that NPOs have another option, they can create income-generating projects which will help improve their financial sustainability and reduce their dependence on donor funding. In Weerawardena et al.'s (2010: 354) view, it is crucial for NPOs to nurture and maintain relationships with big and small donors. NPOs also receive in-kind donations from some of the stakeholders they partner with. For example, some NPOs partner with media companies, such as television stations or newspapers, which offer them advertising space. This gives NPOs a platform which they can use to inform the public about their services and to market themselves. This may improve sustainability.

Nah and Saxton (2013) found that many organizations used social media, mostly Facebook and Twitter, to communicate with funders. Zorn, Flanagan and Shoham's (2011) study based in New Zealand found that NPOs used information and communication technologies to engage with other stakeholders and the government in order to obtain funding. Kanithi's (2010: 126) study has provided much relevant information, for example, 66% of NPOs in developed and developing countries have used Facebook, 38% have used Twitter and 20% have used LinkedIn. Furthermore, 23% of NPOs in developed countries not only used web technology to source donations, but also sold goods online to raise funds. In developing countries, NPOs have also adopted online sales as a way of raising money, but only six percent of NPOs used this method. Waters' (2007: 67) study of Philanthropy 400 organizations found 34 % of these organizations had online stores.

Kanithi (2010: 149) revealed that 68% of NPOs in developed countries had websites that allowed donations to be made via their websites. In developing countries, only 35% of NPOs had these same facilities (Kanithi, 2010). This suggests that developed countries have rather more advanced websites. Ingenhoff and Koelling (2010: 68) found that NPO websites and information provided on the websites were largely directed at attracting donors. Harding (2014) also found that NPOs in South Africa also used websites to market themselves.

According to Kanithi (2010: 147), NPOs worldwide use email to solicit donations. Eighty-four percent of the NPOs in developing countries make requests for donations by email; while only 40% of NPOs in developed countries used e-mails for the same purpose. Sixty-two percent of NPOs in developed countries adopted other online funding techniques against 44% of those in developing countries. Levine and Zahradnik (2012: 36) found that the organizations which earned the greatest revenue had used their websites for marketing their

organizations. Their websites sites were set up so as to facilitate the receipt and processing of donations. Organizations that were very active online had attracted more donors.

Kanithi's (2010: 150) finding shows that NPOs can sustain themselves in the long term by using web-based technologies. According to Waters (2007), the Harvard Business School's Social Enterprise Initiative had predicted that internet-based donations would become very popular as a method of fundraising. Kang and Norton (2004: 282) suggested that the effective use of a website by a non-profit organisation could potentially boost donor and fundraising opportunities at little cost. Hadebe (2014: 47) found that NPOs believed that extensive use of social media, websites and investments in property would improve their financial sustainability significantly.

Gebreselassie (2011: 53) has added that as a result of the 2007/2008 recession 51% NPOs in South Africa used the internet as a way of seeking funds. Hanfstaegl (2010: 35) came to a similar finding about international organizations which had also chosen to go the internet route during the recession. Smit (2005) on the other hand found that fundraising events were a common way of raising funds for NPOs.

In terms of fundraising, Smit (2005: 355) pointed out that some NPOs had employed a fundraiser but the majority did not; instead they relied on other staff to do fundraising. Kilbey (2010: 79), on the other hand, found that 25% of NPOs did have fundraising staff on either a part-time or a sessional basis, the remaining 75% involved all or some staff members. Nevertheless, having a fundraising officer was not the sole factor which determined the financial sustainability of the NPOs which took part in Kilbey's (2010) study. Herbst (2014: 87) has added that in the non-profit sector, employees are often expected to take multiple responsibilities. They should be able to acquire resources through fundraising which is predominantly done through writing of funding proposals. In addition they are expected to implement programmes with resources acquired and also do monitoring and evaluation by reporting on resources used.

Kilbey and Smit (2014: 500) suggested that NPOs needed to come together to lobby government for reliable funding policies. In addition, NPOs have to strengthen their marketing, administrative and fundraising activities as this would improve their appeal to donors and the public. Kilbey and Smit (2010: 500) also recommended that smaller NPOs should consider collaborating with other organizations with similar objectives as this could increase their success in raising funds.

2.5 Summary

This chapter looked at the financial sustainability of the NPO sector in the context of Lesotho and presented theory and legislation that has informed this research study. A detailed discussion of the literature on the financial sustainability of NPOs was also presented in this chapter. The next chapter will discuss the research design and methodology used in this study.

Chapter Three: Research Design and Methodology

3.1 Introduction

Babbie and Mouton (2001: 75) define methodology as the methods, techniques and the procedures that are used to implement the research design. A research methodology refers to the principles which are the foundation of a research study and the assumptions that guide their use (Babbie & Mouton, 2001). This chapter describes the research design, the methodology and data verification process; it concludes with a sketch of the limitations of the study.

3.2 Research Design

Babbie & Mouton (2001: 74) define a research design as a plan of how a researcher intends to carry out a research study. According to De Vos et al. (2011: 143) “research design focuses on the end product and all the steps in the process to achieve the outcome anticipated.” The formulation of a research design is based on the context and the purpose of the study (De Vos et al., 2011). According to York (1998), social research has four main purposes; these can be characterised as description, exploration, explanation and evaluation. The main purpose of this study was to explore and describe the financial sustainability of the non-profit sector in Lesotho. Babbie and Mouton (2001: 646) describe qualitative research as a research approach based on an insider perspective. Furthermore, qualitative research is centred on understanding the research problem through naturalistic observation (De Vos et al., 2011: 308). This study was conducted using a qualitative approach. The research method is based on the Interpretivist paradigm. The Interpretivist approach is based on the theory that reality should be construed as the subject describes it (De Vos et al., 2011: 310).

The qualitative research paradigm suited the purpose and nature of this study for it allowed me to gain a better understanding of the research problem and to explore and describe the financial sustainability of NPOs in Lesotho based on the experiences of the participating NPOs as described by the representatives of these NPOs who were also employees. These participants held different position in the NPOs. I developed a semi-structured interview schedule, which I used to collect data. I was able to capture the NPOs’ experiences through eyes of the participants. I adopted an inductive approach to the data analysis; I drew conclusions from observations, they were not based on assumptions (De Vos et al., 2011: 49).

3.3 Research Methodology

3.3.1 Population

“A population is the theoretically specified aggregation of study elements” (Babbie & Mouton, 2001: 173). The population in this study were the NPOs registered with Lesotho Council of Non-Governmental Organizations (LCN). The LCN is the umbrella organization for NPOs in Lesotho. It was established in May 1990 with an objective of supporting the NGO community which works in the fields of agriculture, education, environment and natural resources. Commission members are active in promoting economic justice, democracy, human rights, health and social development and they also provide disaster and humanitarian relief and special services to women and children (<http://www.lcn.org.ls>).

3.3.2 Sampling

De Vos et al. (2011: 223) define a sample as a portion of the population that represents a larger population. In this study the sample was composed of 20 NPOs which I selected from the 354 NPOs listed on the Lesotho Council of Non-Governmental Organizations website. The study employed non-probability sampling. De Vos et al. (2011: 231) define non-probability sampling as the kind of sampling where the selection of the elements is not determined by randomness; in other words, each member of the sampling frame does not have an equal chance of being selected. I chose to use purposive sampling, a type of non-probability sampling based on the careful selection of cases that are representative of the population being studied (De Vos et al., 2011: 232).

According to York (1998), in purposive sampling, the sample is in most cases selected because those making up the sample are easily accessible. Ease of access often translates into being readily available and is based on the judgement of the researcher. Three hundred fifty-four NPOs were registered with the Lesotho Council of Non-Governmental Organizations at the time. After I had analysed the list of all the NPOs, 30 NPOs based in Maseru were selected for further consideration. Of the 30 NPOs, 20 were selected for two main reasons. Firstly, these NPOs were situated in the Maseru Central Business District (CBD) and were easily accessible to me; and, secondly, most of the NPOs had their head offices in Maseru. Out of the 20 NPOs, 10 were local NPOs and 10 were international NPOs. This sample was selected to capture the experiences of both local and international NPOs in order to observe similarities and/or differences between the two.

3.3.3 Sampling Consideration/ gaining access

The Lesotho Council of Non-governmental Organizations' (LCN) website is accessible to the general public. On the website, the NPOs were grouped into categories; their contact information appeared on the website. I contacted the NPOs individually. I hand delivered letters requesting if they would participate in this research study (See Appendix C). Some of the NPOs were prepared to schedule an interview immediately upon receiving my letter; others said they would contact me in a week or two. I made follow up calls after two weeks and managed to schedule a number of additional interviews; but some NPOs declined to participate therefore I had to contact additional NPOs. I was then able to begin interviewing the respondents.

3.4 Data Collection

According to Babbie and Mouton (2001), data collection is the manner in which a researcher collects data to answer the main research questions of his or her study. The data was collected through in-depth interviews using a semi-structured interview guide. In qualitative research the most frequently used mode of collecting data is the interview (De Vos et al., 2011: 342).

3.4.1 Data Collection Approach

I conducted in-depth interviews with staff members from 20 NPOs based in the Maseru District. These NPO participants held various positions within their organizations. A digital voice recorder was used to record the interviews. At the beginning of each interview, I asked the participants' permission to record the interview. Therefore, the interviews were recorded with their consent. According to De Vos et al. (2005), the advantage of recording the interviews is that this permits a researcher to carry out a close analysis of the transcripts of the interviews. The transcripts allow a researcher to identify data that will answer the objectives of the study (De Vos et al., 2005). Recording the interviews allowed me to focus on the words of the interviewees and at the same time pay attention to their emotions and body language.

3.4.2 Data Collection Instrument

In this study, I developed a semi-structured interview schedule with open-ended questions (See Appendix A). The questions were divided into five sections; each section dealt with a theme related to the main research objectives. According to De Vos et al. (2005), the benefit

of using an interview guide is that a researcher is required before starting the interviews to think carefully about what the respondents might speak about. An interview guide also helps a researcher probe for content relevant to the study, especially the objectives of the study (De Vos et al., 2005). The interview guide was flexible enough to allow me to explore some responses in greater depth. I found rich, insightful information that was important to the study but was not necessarily in the interview guide.

I also ran a pilot study with a volunteer non-profit organization based in Maseru. De Vos et al. (2011: 241) have stated that a pilot study improves the success of the actual study. A pilot study allows a researcher to make corrections based on the criticisms or feedback from the pilot study. Running a pilot study helped me to test the questions in the interview schedule so that I could identify any that were not clear or easily understood. The pilot study also helped me improve the way I administered the later interviews.

3.5 Data Analysis

De Vos et al. (2011: 397) have described data analysis as the “process of bringing order, structure and meaning to the mass of collected data”. The data was analysed in accordance with a procedure adapted from De Vos et al. (2011) recommendations:

1. **Planning for recording the data:** I chose an in-depth data collection method; I used a digital recorder to collect the data during the interviews. First of all, I asked the participants for permission to record interviews. I used a cell phone as a recording device; once each interview was completed I saved the recorded information to my dropbox in order to avoid accidental loss of the data.
2. **Data collection preliminary analysis:** Data collection and analysis are interrelated and both lead to the interpretation of the data. During the data collection process I observed the respondents’ words and demeanour and at the same time I was able to identify relevant data and check that it was coherent. I could begin to make sense of the patterns that were emerging from the data.
3. **Managing the data:** I transcribed all interviews and began analysing each transcript. I then started to code the most relevant information.
4. **Reading and writing memos:** This helped me to understand the whole database. I wrote memos during the data collection process and consulted them as I began to analyse the data. These memos helped me make sense of what was said in the

interviews before I started categorising the data under various themes. I extracted quotations from the transcripts and then edited them.

5. **Generating categories and coding the data:** I developed a conceptual framework in the form of a Table; the headings were the themes, categories and sub-categories that I had identified in the data. This helped me divide the data and making sure that the information was placed in the appropriate category.
6. **Testing emergent understandings and searching for alternative explanations:** At this stage, I searched through the data to evaluate the usefulness and importance of the methods used to collect the data. I also thought critically about the categories and patterns in the data. I considered whether there could be alternative explanations for the data.
7. **Interpreting and developing typologies:** This phase involved making sense of the data. Interpretation of the data was based on understanding and perception. I interpreted all the information that I had grouped under five themes which were relevant to the research objectives. I interpreted the data based on my understanding and linked the data with the literature review to refute and agree with previous studies.
8. **Presenting the data:** In this final phase of the research study, I presented the data under the five themes which were relevant to the research objectives. I interpreted the data, added critical commentary to the findings, drew conclusions and made recommendations.

3.6 Data Verification

Lincoln and Guba (1999, cited in De Vos, 2011: 419-421) have formulated alternative constructs that can test the soundness of qualitative research in terms of its reliability, objectivity, internal and external validity. The constructs used to evaluate qualitative research are: credibility, transferability, dependability and confirmability.

3.6.1 Credibility

Credibility is an alternative to internal validity; it shows that the inquiry was conducted in a way that ensures accurate identification and description of the subject. To ensure credibility I clearly defined the context and sample of the study and I used a recording device to capture all the important data.

3.6.2 Transferability

According to Lincoln and Guba (1999, as cited in De Vos et al., 2011) transferability substitutes for external validity. External validity is concerned with the generalisation of the results; the results of qualitative research cannot be generalised and this is a weakness of the qualitative approach. The sample size of 20 participants is very small to produce the same results in different geographical locations and socio-economic groups. It can be argued that the financial sustainability of the non-profit sector in other parts of the world may be influenced by different factors. I formulated a generalisation within the clearly defined context of the study.

3.6.3 Dependability

Dependability is an alternative to reliability, which levels the understanding and accounting for repeating the study, on the same or similar respondents in the same or similar context getting the similar findings (De Vos et al., 2011). In qualitative research, reality is treated as constantly changing which means that the replication of research results is problematic. To ensure dependability I reported in great detail on the processes within the study as this would enable a researcher to repeat the work in the future, though this does not necessarily guarantee that those results would be the same.

3.6.4 Confirmability

Confirmability refers to the degree to which the findings of a study could be confirmed by another researcher. In qualitative research, there is an assumption that each researcher brings a distinct perspective to a study (De Vos et al., 2011). In this study, I ensured confirmability by linking the findings to the literature, this was done to avoid personal biases and to show objectivity.

3.7 Limitations of the study

Although I managed to complete the study successfully, the study was circumscribed by certain limitations which will be discussed in this section. The key limitations involved sampling and the literature review.

3.7.1 Sampling technique

This study only focused on NPOs based in the Maseru district in Lesotho, the results of studies on NPOs in other districts in Lesotho could be different. A range of positions, which the participants occupied in the organizations, was also a limitation of this study. Although versatile voices were heard, not being in the same position meant that participants expressed

different opinion that might have been influenced by their role within the organization. Therefore, the experiences of these participants could easily be determined by their position and might have been different for each member of staff within their organization. Some of the participants preferred to do the interviews in Sesotho. The interviews were conducted in Sesotho and then translated into English. Though great care was taken with the translation, this was also a limitation as the transcriber was not a professional translator.

3.7.2 Literature on NPOs in Lesotho (context)

A key limitation was the small amount of literature on NPOs in Lesotho. Furthermore, the literature available was rather out-dated and from about 10 years prior to this study. Therefore, the literature in this study dealt mostly with the situation of NPOs in other Sub-Saharan African countries where the conditions may not be similar to the situation in Lesotho. This meant that making comparisons or refuting prior findings was a challenge. Most of the literature reviewed in this study was from South Africa, this was mainly because there were more studies on NPOs in South Africa compared to other sub Saharan African countries or countries in Africa at large. However, Lesotho being landlocked in South Africa and depending on it for most resources it can be justified that this literature was fitting. Another limitation lies in the fact that few participating organizations provided me with audited financial reports. I had to work with the oral accounts because most of these NPOs did not provide hard copies of their financial records. The accuracy of much of the financial information was not verified.

3.8 Summary

This chapter has discussed the methodology used in the study, namely, the research design, the population and sampling and the processes of data collection and data analysis. I described the research design and gave the reasons for choosing a qualitative design. The limitations of the study were also discussed in this chapter. The following chapter will present and discuss the research findings.

Chapter Four: Presentation and Discussion of Findings

4.1 Introduction

This chapter presents the discussion and analysis of the research findings. The chapter begins by introducing the background of the participating organizations. The chapter then presents the findings of this study under several themes which are relevant to the research objectives and which include references to the literature reviewed in Chapter Two. This chapter is divided into the following sections; organization information, financial sustainability, factors threatening sustainability, experiences with donors and fundraising strategies.

4.2 Profile of the Participants

The majority of the NPO representatives who were interviewed were employed in finance-related positions or held a management or a senior position in the organization. All the 20 NPOs in this study were registered and operating in Lesotho. Of the 20 participant NPOs, 10 NPOs were home-grown, the other 10 NPOs were international NPOs, two of which were facing closure. Out of the 10 local NPOs, all the NPO head offices were based in the Maseru district, Maseru is the capital city of Lesotho. As for the 10 international NPOs, two NPOs had their headquarters in Sub-Saharan Africa, while others were headed Italy, United Kingdom, United States of America and other western countries.

The majority of the NPO services were spread throughout the country, even though they did not necessarily have offices in all the 10 districts of Lesotho. Most of the participant NPOs were based in rural areas; they offered various kinds of services which ranged from advocacy, education, disability, development and other fields. At the time the study was conducted, the oldest organization in this study had existed for 93 years while the newest organization had only existed for four years. The NPOs differed in the number of their employees, depending on the size and nature of the NPO's work. The NPO with the most employees had 114 people on the staff, while the one with the least had only six employees. The results showed that 19 out of the 20 NPOs were registered under the Lesotho Societies Act of 1966. The one international NPO was not registered under the Societies Act of 1966, however, it had an agreement with the government and was allowed to operate in the country. See (table 4.1) below for profile of the participant NPOs.

Table 4.1 Profile of NPO participants

Participants	Job title	Organization head office	Number of years of existence	Services provided by NPO	Number of staff
P-1	Head of Programmes	South Africa	14	Human Rights	12
P-2	Managing Director	Lesotho	4	Counselling And Support Services	19
P-3	Human Resource Officer	Italy	12	Food security/ Vulnerable children	69
P-4	Finance Manager	Lesotho	43	Children/ Youth services	8
P-5	Programmes Officer	Italy	35	Peace Building and Advocacy	10
P-6	Operations Manager	United States of America	15	Early Childhood Education	62
P-7	Researcher	Lesotho	31	Empowerment	18
P-8	Finance Manager	Lesotho	10	Legal Awareness	5
P-9	Managing Director	Lesotho	39	Non-Formal Education	7
P-10	Administrator	London, England	93	Education	20
P-11	Executive Director	Lesotho	29	Disability	8
P-12	Finance Director	Kenya	50	Sexual and Reproductive Health Services	60
P-13	Administrator	Lesotho	39	Vulnerable children	11
P-14	Finance	Geneva	51	Health Services	82

	Director				
P-15	Managing Director	Lesotho	27	National Policy on Agriculture	13
P-16	Finance Manager	United Kingdom	14	Agriculture	8
P-17	Founder	Lesotho	4	Women Empowerment	6
P-18	Finance Manager	Austria	22	Vulnerable Children	114
P-19	Finance Manager	Lesotho	39	Advocacy	15
P-20	Finance Manager	Zimbabwe	29	Legal Services	21

4.3 Financial Sustainability of NPOs in Lesotho

4.3.1 Current funding situation for NPOs

When asked to describe their funding situation each NPO participant described the funding situation in a different way. However, the common theme for the majority 13 (65%) of participants was that they described the funding situation as a difficult one.

“It is very unpredictable and unstable, because of the financial situation the whole world is going through. Our organization is also experiencing it.” (P1)

“I would say it is fragile, in Lesotho, unlike other countries we don’t have [a] long-term commitment by the donors. We have donors that come to commit for six months to one and a half years. We don’t have donors committing up to five years like they do in other countries. So that puts the organization in uncertainty for the future.” (P6)

“When it comes to our funding, we don’t have funding that comes consistently every year.” (P10)

“It is not sustainable because we rely mostly on donor funding.” (P9)

“We have been struggling a lot. We get funding for small once off activities...It has been very difficult because when you include the staff we can’t afford to pay salaries.

The funding situation is very tough at the moment. We have never received funding for a year or so, to implement our projects”. (P17)

These results are consistent with the Lesotho Council of Non-Governmental Organizations (2005). According to the Council, financial sustainability is a challenge for NPOs in Lesotho. Some of the NPOs in this study indicated that they did not have long-term committed donors. These findings are also in alignment with Weerawardena et al. (2010: 350) who added that the funding situation in NPOs has deteriorated so much that it has become rare to obtain funding from the same source beyond two or three years. According to Panday (1996: 1) Changes in funding arrangements is a major challenge non-profit organizations. In many cases, these changes mean that NPOs are receiving less funding or that acquiring funding has become extremely difficult. This suggests that it may have become difficult for NPOs access funding because of the changes in funding arrangements.

Some NPOs indicated that they were experiencing a decline in donor funds.

“We are in an era where donor support keeps on declining year in and year out. The needs and demands on the ground keep on growing, so we don’t have enough to cover all our programme needs.” (P12)

“We are in a very critical situation...when donor funding is withdrawn, we end up having no money for the organization. In the NGO sector, there is no security, we live from hand to mouth. So, the situation, as it is, maybe you can go out of it for two or three years, but you will be back in it again. It’s a cycle and a way of life.” (P15)

“We are struggling; most of the donors don’t fund Lesotho organizations anymore because of the instability in the country. We only have one project at the moment. When the project ends, we probably won’t have anything. We don’t have enough but we are able to get funding like now have funding, but we don’t have more than three years funding, the funding is up to three years. So, for the organization and the people working for the organization I can say there is a risk... because after two years when funding phased out, people started to apply for other jobs.” (P7)

While NPO expenditure keeps increasing, funding from donors has failed to increase to meet their budgets (Smit 2014: 111). NPOs in this study also indicated that the funding they received from donors was insufficient for their needs. According to Viravaidya and Hayssen (2001), the NPO sector around the globe has experienced a drastic decrease in grants and

other funding from international and local donors. Gwandure and Mayekiso (2013) add that donors have withdrawn from funding African countries for various reasons. The decline of donor funding has affected many countries in Sub-Saharan African, for example, South Africa, Zimbabwe, Lesotho, Swaziland, Kenya, Botswana, Zambia, Malawi, Tanzania and Uganda. Similarly, NPOs in this study also expressed that they were experiencing declines in donor funds. Furthermore, NPOs indicated that finding long-term funding was rather difficult. These findings are consistent with Viravadyia and Hayssen (2001) who state that even NPOs that are privileged enough to have all their current costs of operation covered may be uncertain about future funding. Other NPOs indicated that although they were not necessarily struggling financially they were not doing too well. The NPOs in this study stated there had been changes in funding trends, in particular donor funding which kept declining every year. Systems theory views NPOs a system. According to Daft (2010), a system [NPO] is made up of subsystems with interrelated parts. Together these subsystems make up a system; therefore, changes in a subsystem affect the entire system. The NPOs in this study were experiencing changes in funding which in turn affected the entire NPO community. Subsequently, this indicates that changes in each part of an organization indeed affect the entire system. Sustainability of an organization depends on availability of funds, which feed into all the other parts of the organization. This proves that all the subsystems within an NPO are interrelated and interdependent.

“We are okay; I wouldn’t say we are perfect but are okay ...Off course there are always other components that we would like to be funded but if you don’t have a funder you just have to do with what you have so that is where we are at right now.”
(P20)

“I think the situation is moderate but with a lot of challenges because we are ... donor-funded organizations, so that means most of our activities are depending on the availability of funds.” (P3)

These NPOs were, however, international NPOs that had support from their international headquarters. These findings are consistent with Smith and Boddie (2008), who found that Lesotho NPOs with international headquarters had bigger budgets and were more likely to receive international funding compared to home-grown NPOs. In addition, Mashinini and De Villiers (2002) state that low donor funding together with lack of local funding in Lesotho indicates that international Lesotho-based NPOs originating from highly industrialized

countries are likely to be more sustainable. These results confirm that International NPOs are better secured when it comes to funding because of the external support they receive from other countries.

4.3.2 Income and Expenditure

Sustainability of organizations was also gauged through the NPOs' income and expenditure. When asked about their income and expenditure the majority of NPOs said that most of their income is spent on projects or programmes. A substantial percentage of each organizations' total income was spent on projects, on average 70% of the total income went to project/programme costs while other costs shared about 30% of the budget.

Some NPOs were big NPOs with big budgets while others were relatively small NPOs with smaller budgets. Local NPOs had smaller budgets than international NPOs which had a higher income and expenditure. However, some of the local NPOs were relatively big. The biggest international NPO had an annual budget of about M 31 000 000 (Maloti, which is equivalent to R 31 000 South African Rand) while the biggest Lesotho NPO had an annual budget of about M22 000 000. The smallest local NPO was an advocacy organization, which had an annual budget of only M20 000. The findings indicate that international NPOs had more access to financial resources compared to local NPOs.

When asked whether they were operating with a surplus or a deficit, majority 13 (65%) of the NPOs said that they were operating with a surplus, however some indicated that the surplus was a small amount of about less than 5% of their budget.

“On a surplus... Even when we have surpluses we often have to tap into those saving that we are trying to build.” (P12)

“On a surplus, maybe through experience we haven't had a deficit, we normally make sure that we follow the budget that has been agreed upon by us with our donors.” (P19)

The finding indicated that majority of the NPOs were operating with a surplus, even though some indicated that the surplus was only a small amount of money. This suggests that most of the NPOs manage to operate within their budget.

Seven (35%) of NPOs indicated that they were operating on a deficit.

“Deficit, because currently, we don’t have any donors. The funds that we have are from the services the organization provides.” (P5)

“On a deficit. When I’m saying it’s operating on a deficit it’s because our income doesn’t really fit our expenses.” (P13)

“On a deficit because we are facing closure. We are not raising any funds now so we are using our reserves.” (P16)

“On a deficit, it is even on audit issues.” (P18)

“On a deficit, because sometimes you find that we have no money at all and I have to take money out of my own pocket to share it with the office. We treat it as a donation so I donate part of my salary to the organization.” (P17)

P14 and P9 added that they were operating on a deficit. This finding revealed that some of the NPOs were in a critical financial situation as they had overspent on the funds they had. This indicates that some of the NPOs did not have enough funds to cover all their costs.

4.3.3 Financial Reserves and sustainability of NPOs

When asked about financial reserves, 7 (35%) of the NPOs said that they had reserves while 13 (65%) did not have any. NPOs were asked how long they could survive on their reserves without donor funds and each NPO had a different answer based on the size of their reserve funds. Some of the NPOs indicated that they had a reserve that could sustain the organization for a certain period without needing to seek donor funds.

“We have small reserves. I think we could go for two months with the 19 staff members, but if we remained only with the key staff we could go for the whole year.” (P2)

“We do have financial reserves...Most of the reserves [that] we had, we used to build the buildings and that is for our sustainability, so I would say maybe a year or two years.” (P3)

“We have the reserves of about M300 000, but that has just started, but we want to keep on increasing our reserves. We just started a new fundraising strategy. As for the continuity of the organization, we can go up to a year or two as long as we have our income from rentals.” (P14)

“We have reserves; it is so that in case we need funds we can tap into those reserves...those savings can sustain us maybe for only a year.” (P19)

“I think about three months. It is a policy of the organization that we do not keep reserves beyond three months sustainability. Sponsors would want to understand why we have not spent the money they gave us.” (P1)

P12 and P18 both indicated that they had reserves that could sustain them for about six months. The sustainability of NPOs without donor funds ranged from months to two years. The highest sustainable NPOs said that they would be sustainable for two years without donor funds. However, the majority of the NPOs with financial reserves indicated that they could only survive for between two to six months. These findings are consistent with Weerawardena et al. (2010: 352) who state that financial sustainability is a challenge for most NPOs, due to the fact that majority of NPOs hardly have enough reserves in banks to keep them going for more than a year or two. The home-grown NPOs were at a disadvantage compared to international NPOs; the latter were more sustainable. This can be attributed to the financial support international NPOs received from their headquarters. Five of the NPOs (25%) said that they had already tapped into their reserves due to the tough, current economic situation.

“We have reserves, but we are now relying on them ...[rather] than raising funds. We have stopped making proposals. If we were not facing closure, maybe our reserves would sustain us for a year or two.” (P16)

“Yes we have reserves but we tap much on our reserves when we don’t have enough to carry us until the end of the year. I think we can live up to six months.” (P12)

P5 also indicated that they were surviving on their reserves even though she did not know how long they could sustain the organization. P3 and P18 said that they had to tap into their reserves.

Two (10%) NPOs indicated that they did not have any reserves. However, these NPOs believed that their organization would be sustainable without such funds because they were doing advocacy, which does not require much funding.

“Some of our staff is [sic] volunteers, which means they are not expecting compensation from the organization. So, I think we can still ... do our job without

funding. Doing advocacy does not require a lot of money, we ...incur traveling and communication costs.” (P5)

“No, we don’t have any financial reserves. Like I said, we are donor-funded, most of the funds that we get are already ear-marked for activities. I think the work of the organization being advocacy would still happen especially at a national level, maybe even without the availability of funds, even though it may be difficult.” (P11)

Four (20%) of the participant NPOs said that they would have to close their office if they stopped receiving donor funds. They did not have any other means to sustain the work of the organization without donor funding.

“Our organization at HQ level they do have reserves. If funding stopped today, in Lesotho we would just have to pack and go, because the money that I am talking about as reserves is not money that does projects.” (P6)

“No, we don’t have any reserves, that means we have nothing. We would close if there was no funding.” (P8)

“We used to have reserves, but now we are exhausting them because of the over expenditure. We won’t survive for one month, we would have to close the facilities.” (P18)

“No, we are not allowed to keep any reserves because everything that we get is what the donor gives [us]. If we stop receiving donor funding, we are not going to survive.” (P20)

Some of the NPOs in this study said that they would have to close down this if they stopped receiving donor funding. This therefore confirms the systems theory view that NPOs are a system with interdependent parts and that failure of one part, which is funding in this case, affects the entire unit. Having no funding would lead to the collapse of the whole organization.

Five (25%) of the NPOs said that they would have to reduce the number of their employees if they are to keep their organizations open if they did not receive funding.

“We would not be able to sustain the services we would like to provide. We would rather be able to sustain the administrative costs of the organization just to keep it

open...We have been in that situation before and we had to let go of other employees because we could not afford to support them.” (P9)

“We don’t have any property, where we can say when renting property to build reserves. That would be a serious challenge because I think we will have to retrench staff...Then we can survive for about 12 Months beyond that I doubt.” (P7)

“No, we don’t have reserves at all. To be honest, most people can go home, maybe only the finance manager and the director can stay just to keep the administrative work going and busy trying to fundraise.” (P15)

P4 and P10 also indicated that they would consider reducing their staff in order to be remain operational without donor funding. According Hanfstaengl (2010) organizations in Sub-Saharan Africa resorted to the reduction of staff when they started receiving less funding from donors from 2006 onwards. Organizations in this study also indicated that they would reduce staff if they stopped receiving donor funding. The Social Planning Network of Ontario, (2009:10) also found that during the 2008 recession NPOs were under pressure as there was insufficient funding for increased services. Consequently, most NPOs resorted to cutting their budgets and retrenched employees. Similarly, NPOs in this study indicated that they would reduce staff if they did not receive donor funds. This suggests that NPOs in Lesotho resort to staff reductions in times of crisis. Systems theory states that every part of a system is necessary in order for an organization to execute its mission effectively. Organizations in this study stated that they would have to reduce some of their staff to remain open if they did not receive funding. This suggests that staff reductions would limit the NPOs capacity to carry out their missions successfully, as there would be shortfalls within the system. Having no donor funding would affect the NPOs’ sustainability and ability to retain staff.

4.4 Factors threatening the sustainability of NPOs in Lesotho

All NPO participants said there were several factors which affect their sustainability. The key factors included; political instability, dependence on donor funding, competition for funding, lack of fundraising skills and scarcity of funding.

4.4.1 Political Instability

Of all the issues raised, a frequently mentioned factor which threatened the sustainability of NPOs in Lesotho was the political instability in the country. The NPOs thought this was the

biggest problem. Some of the NPOs indicated that even though it did not affect their organizations directly, it was a threat to the entire non-profit sector. In Lesotho, there have been political instabilities since 2015. These political unrests were a result of failed government, which led to general re-elections twice within a period of four years, instead of having general elections once in 5 years. The first re-election was in 2015 after the general elections were held in 2012, while the second were held in 2017 after the 2015 re-elections. These instabilities involved rivalry within political parties, which led to a motion of no confidence against the Prime Minister every two years; therefore leading to elections before reaching a full term of 5 years. The instabilities seem to have chased donors away as they gave donors doubts about investing their resources in an unstable country. This affected NPOs particularly those that had agreements with donors and the government. The continuous restructuring of the government made their agreements null and void.

The majority 18 (90%) of the participants mentioned the following consequences of the political instability threatened sustainability.

“I would say political instability because you find that if the country is unstable the other donors pull out, others cut the funds while others divert the funding to different objectives all together, so that affects our sustainability.” (P19)

“When there is instability in the country donors pull out. For the past two years, we had three donors, two have pulled out and we are only left with one. It was because there was no peace in the country. They said they were leaving because of the instability.” (P4)

“With us, the previous political instability has really affected us because previously we had a project funded by the USAID. ...because of the instability, they closed their office here and moved to Pretoria in South Africa. They pulled out in the middle of the project and told us they were leaving.” (P5)

“I think, maybe, now the problem is that we are unable to reach our objectives because of the political instability in our country. Because now the government changes. We keep on changing and starting afresh on the plans that we have agreed upon with the outgoing governments. So that means if we are unable to achieve our objectives as described in our programme documents and with funding partners, that means we are going to lose our funding. It is very difficult for our partners to

continue the work they do if we do not produce [the] desired results so that is how the political situation affects us.” (P11)

“The political situation also contributes to [a] lack of funding. I’ll make an example, last year there was political instability so donors would say let us wait for the political instability to settle. Even when things settle, they are no more willing to give the money.” (P13)

“In Lesotho, in the past, we have gone for three elections in five years, that has been problematic NGOs, especially for an NGO like ours which is in development.” (P15)

“We used to receive some subsidies from the government, but with political changes ... someone decided to stop that and it is adversely affecting us. They stopped abruptly, stop[ped] without even sensitizing us that this year we are not going to give you anything.” (P18)

“From 2015 November, we went to elections without reaching the term of five years, after two years. In that case, it also affects our funding because you find that while you were in the process of concentrating on a particular strategy or objective when elections are coming we shift our focus because it is our mandate to do the things that affect governance.” (P19)

One participant believed the political instability led to the closure of many international NPOs:

“I think a lot of potential donors pulled out because of the political situation. Many international NGOs left the country just like we are about to close now.” (P16)

Khanithi (2010:138) found that political instability was one of the factors affecting the sustainability of NPOs in both developed and developing countries. Smit, (2005: 358) added that some of the problems NPOs encounter involve political interference (Smit, 2005). In this study, the majority of NPOs said that the political instability threatened their sustainability as most foreign donors left the country. NPOs in Lesotho indicated that donor agencies left the country as a result of the political instability. According to the Lesotho Council of Non-Governmental Organizations (2005), NPOs in Lesotho fear the closure of donor and embassy offices. This is because NPOs are often left bankrupt when donors leave the country. These

NPOs fear that the closing of the embassies will not only affect their funding, but it will also affect the strategic management (Lesotho Council of Non-Governmental Organizations, 2005). This suggests that having donor organizations operating in Lesotho contributes substantially to the survival of the non-profit sector. According to systems theory discussed in chapter 2, NPOs are a system that interacts with the external environment and are influenced by factors such as social and political factors. NPOs in this study indicated that political instabilities were one of the major threats to their sustainability. This therefore confirms that NPOs are indeed a system that is affected by the external environment.

4.4.2 Dependence on Donor funding

When asked which other factors threaten their sustainability, the majority 11 (55%) of the NPOs identified their dependence on donor funding.

“The very key one is dependence on donors because we depend on donors and whatever factors that affect them also affect us and our income.” (P1)

“The mere culture of our office, we keep on trying to look for donations instead of trying to raise income ourselves.” (P9)

“We only wait for funding opportunities to grab from donors...we don’t have the capacity to really go out and fend for funding. We are also very understaffed, so much so, that if we have a fundraiser that fundraiser will end up being only a fundraiser by title, at the end of the day they will be doing other things.” (P12)

“Our NGO came [into being] as [a result of] an exit strategy for a German NGO which was doing a food security assistance programme. So, it means from the beginning we were already relying on this international NGO which became our funding partner for some years. It has not been easy for us to diversify the funding resources.” (P15)

P14, P16, P2, P20, P7, P4, and P6 also added that dependence on donor funds was affecting their sustainability. According to Viravaidya and Hayssen (2001), most NPOs are too dependent on unreliable sources of funding, because they are often of short duration or are a temporary solution and have to explore other sources of income in order to achieve their goals. The findings of this study indicate that Lesotho NPOs are no exception. The majority of NPOs indicated that dependence on unsustainable donor funding was a major factor threatening their sustainability.

4.4.3 Competition for funding

Most NPOs 12 (60%) felt that competition for scarce resources within the non-profit sector in Lesotho was also a major factor which threatens the sustainability of their organizations.

“Competition is also very high, there are many other organizations doing similar work. As a small organization when you hear that big organizations are also applying for the same funding, you already know that your chances are very slim.” (P17)

“We are a Lesotho organization, in Lesotho actually the environment is quite tough for the civil society because we are competing ...[for] very few donors, like I said before. There are many organizations in Lesotho but most of them are competing for very few resources.” (P11)

Matsimbi & Mtapuri (2014) argue that among other things, NPO sustainability is threatened by competition for funding. According to Tucker et al. (2013), non-profit organizations operate in an environment where there is intense competition for resources; the same situation is found in Lesotho among the NPOs. P2 elaborated on how it was further complicated because NPOs and the government receive funding from the same donors, therefore, the Lesotho Government was another competitor for donor funds.

4.4.4 Lack of fundraising skills

Five NPOs (25%) indicated that their lack of fundraising skills was a threat to the sustainability of their organization.

“Fundraising is the major issue, we don’t have fundraising skills and the patience to fundraise.” (P10)

“Our lack of fundraising as an organization because we don’t fundraise. I’m not sure of the reason, but we just don’t do it.” (P5)

The majority of the NPOs that participated in this study did not have qualified fundraisers. P12 added that his organization did not have the capacity or resources to fundraise. P7 and P8 also indicated that lack of fundraising skills was a threat to their organizations’ sustainability. This is consistent with what Matsimbi & Mtapuri (2014) found that the lack of fundraising skills is a major challenge to the sustainability that confronts the NPO sector. On the other hand, Kilbey and Smit (2014: 487) agree that funding is scarce in the non-profit sector, but

the lack of commitment to fundraising is also a contributing factor to the lack of sustainability within the sector.

4.4.5 Lack of Funding

This study identified the lack of adequate funding for the non-profit sector as one of the factors which threaten the sustainability of the NPOs.

“I think most of the donors are cutting Lesotho off, so we are now struggling to get the variety of funders supporting our work... I also think disability is not an issue [favoured by] ... the partners.” (P11)

P11 felt that the organization he worked for struggled to get funding because it was a disability focused NPO and disability seemed to be a less favourable aspect for donors to fund. According to Weerawardena et al. (2010: 350), some of the NPO services are not a priority for the government or donors. These NPOs are disadvantaged when they apply for funding; they have to fend for themselves if they are to survive (Weerawardena et al., 2010). This suggests that P11’s organization was not a priority to donors or the government.

“For me, the biggest issue for Lesotho is that the donor commitment is not that much in Lesotho... If the donors are not committed that also means that we as the NGOs grapple for scarce resources. The donor focus also changes from time to time. There was a time where every donor that was coming to Lesotho was supporting HIV but they have changed.” (P6)

“There is a lack of funding, maybe because of the types of intervention that at a particular stage we are implementing...it could be, or donors have [an]interest in something else. For instance, they will leave agriculture or food security to focus on countries like South Sudan where people are killing each other. They divert to interventions that are not necessarily applicable to us so that is a factor threatening our sustainability.” (P4)

This study established that the non-profit sector was inadequately funded. The participating NPOs attributed this to the fact that donors were not interested in funding certain types of projects or the donors often shifted their focus and wanted to fund something different. According to Gwandure and Mayekiso (2013: 45), some donors who were committed to funding NPOs in Sub-Saharan Africa are reducing funding or have changed what they choose to fund. Many donors leave Sub-Saharan Africa or reduce their funding without letting the

recipient organizations know that they are moving to other parts of the world. Weerrawardena et al. (2010), also add that the lack of stable income is a major limitation which undermines the sustainability of the NPO sector. Kanithi (2010: 138) found that the same inadequate funding of the sector threatens the sustainability NPOs in developed and developing countries. Eighty-four percent of NPOs indicated that their sustainability was most threatened by the inadequacy of funding.

One organization felt that it was not able to get funding because it was still a new organization and donors did not feel sufficient confidence in the NPO to be prepared to invest their funds in it.

“Donors like [the] EU always invite us to their events because they are interested in our organization, but for funding, they always tell us that we are not there yet...but they have ... given us computers and office equipment. But their system could not accommodate us because we were still a very small organization to get funding.”

(P17)

A study based in Uganda revealed that most NPOs there struggle with funding in their early days and only become stable after operating for at least three years (Fafchamps & Owens, 2009). This supports the suggestion that P17's organization was struggling because it was newly established.

4.4.6 Lack of Government Support

Most NPOs 12 (60%) felt that lack of government support was a major factor affecting the sustainability of the non-profit sector.

“... Our government is not doing enough to be seen as contributing to [the] NGOs that work in the country. We have not reached a point like other countries where you find that the government out of a budget of M5 000 000... contributes M 1 000 000. Our African countries are not giving, that makes [the] donors feel like they do not appreciate the services [that] they are offering. Donors get fatigued from working in the same country with seeing the impact of their funds.” (P1)

P1 stated that NPOs need the governments' support to have a greater impact in the implementation of their programmes. This finding suggests that lack of government support does not only result in limited resources in the sector but also demotivation of international donors who are the main sources of funding for the non-profit sector in Lesotho.

“We used to have Irish Aid but their office moved to South Africa. One thing they mentioned was that the government of Lesotho was not serious about taking some of the programmes they had agreed on. When these donors come they don’t give 100% of their money until there is an agreement between the government and the Non-Governmental Organizations. So it is up to the government whether it meets their expectations. So lack support from the government is one of the issues.” (P4)

“We have been working with the Norwegian Society of the Disabled for more than 16 years; one of the conditions of their funding was that the government of Lesotho should also be involved. They wanted to see the government also doing something ... [about] disability. There were some objective[s] and results that [they] ... set for the government. When the government failed to comply with those conditions they came to us and told us they were pulling out because the government was not complying with the conditions. So, we suffer as a result of [the] government[‘s] failure to comply; while on our side we do very well with the results we are producing.” (P11)

P5, P8, P9, P10, P13, P15, P17, P18 and P20 also identified lack of government support as a threat to their organizations’ sustainability. According to Smith and Boddie (2008:16), only 7% of NPOs in their study felt that the government of Lesotho contributed significantly in the non-profit sector. Similarly, the majority of participants in this study said that the government of Lesotho did not support NPOs. These NPOs added that they had lost donor funding because the government was not willing to help them. However, Smit (2005: 353) suggests that “[The NPO sector’s] inability to better secure itself despite all the strategic planning sessions it and government welfare staff are forever attending cannot be blamed on government.”

4.4.7 The Economic Climate

The global economic meltdown was regarded as one of the main factors, which threatened the sustainability of NPOs in Lesotho. Lesotho’s crumbling economy was also seen as a challenge to the sustainability of NPOs.

“We are in a situation where our economy is melting down. We receive funds globally, so if the global economy is melting down, the funds that we receive come from other countries. Even in our country, it becomes difficult for us.” (P12)

“The economic issues, when the dollar drops in value and recessions, particularly, with one project where we were funded by [the] European Union. There was a time when because of the Brexit the Euro dropped and it affected us a lot because the funding came from the UK so the funding was in a pot in [the] UK when Brexit affected the EU.” (P1)

“Lesotho is not a wealthy country so fundraising is quite difficult. Most companies in the country are subsidiaries that are based abroad or in South Africa. When you approach a company you wait for up to a month for a response or they don’t respond.” (P14)

“Another issue is the fragility of the local economy, as a result, we don’t have local donors.” (P6)

“The nation is poor and people don’t have money; even raising funds is not easy. I mentioned that we sell regalia to raise funds; it is only bought by [the] staff. No one will buy if you say you are selling a water bottle for M100. Raising funds locally is a challenge because of the economic status of our country.” (P4)

P4 indicated that trying to fundraise by selling merchandise was a challenge due to the poverty in Lesotho, as most people could not afford to buy the goods sold by their organization.

According to Gwandure and Mayekiso, (2013:45), international donors withdrew their financial support for Sub-Saharan Africa for various reasons; these include the global recession. All the participating NPOs in this study indicated that they depended on international funding; therefore, disturbances in global markets often affect the non-profit sector in Lesotho. The majority 14 (70%) of NPOs in this study emphasised how difficult it was to generate income within the country due to the economic situation, in particular, the poverty in the country. Mashinini and De Villiers, (2002) add that the lack of local funding and overdependence on international donors is a challenge for NPOs in Lesotho. These findings suggest that NPOs in Lesotho are in a critical state because they depend on international donations for most of their funds. These NPOs have very limited options because their local economy is not very supportive. Consequently, global and local economies both pose threats to the survival of NPOs. Systems theory, which has informed this study, states that NPOs are a system that does not exist in a vacuum. Therefore, the environment around NPOs, which involves the economy, affects them. The findings revealed

that the current economic climate, or rather changes in the economy affected NPOs in terms of the finding that they received.

4.5 NPOs' Sources of funding

When asked about their sources of income the NPOs in this study named various sources of income. However, the most common source of funding was donor funding. Some income was derived from commercial endeavours and other fundraising activities. Even though donor funding was the most common source of funding, many NPOs said that donors were providing less funding every year.

4.5.1 Donor funding

All the NPOs were receiving international donor funding or had received funds from international organizations in the past.

"We receive funding from international donors, 70% of our funding comes from sponsorships. ... We have seen a reduction in sponsors, it is probably because some of them have become pensioners and do not have as much money to give or some of them are just experiencing hardships in their own countries." (P1)

"We are also funded USAID, by PACT LESOTHO; we are funded by Jpheigo ... by UNFPA and the Catholic Relief Services. We are a sub-grantee of the CRC." (P2)

"We get donor funds, some are not donors they are partners. We have partners in the Southern African region." (P5)

P5 indicated that the organizations she worked for received donor funding and collaborated with other organization in Southern Africa to implement some of the projects.

"We depend on donors and we don't have other sources of income besides donors." (P8)

"We have donors and our donated funds come in two ways, 69% [of which] is what we call [the] sponsorship fund and 31% is [sic] donations from Switzerland. On the sponsorship funds, we have people from [an] area like Germany, and different countries, who contribute some money, they give it to our head office, and our head office is distributing it accordingly. So 69% is from the sponsorship fund which comes from different countries overseas and Switzerland." (P18)

“We get part of our funding from our headquarters in the UK in ... [the] form of monthly benefits. From the parent organization, we get money for office running costs and from the donors, we get funding for projects.” (P16)

Usually NPOs depend on grants and donations to cover the costs of their activities (Viravadyia & Hayssen, 2001). Makoba (2002) argues that one of the most common characteristics among NPOs is dependence on donor funding. Similarly, all NPOs in this study had donor funding as their main source of funding. According to Smith and Boddie (2008:18), the United States of America and Europe have strategically directed social service practices in Lesotho, by investing in human and financial resources. In a study of NPOs in Lesotho, Mashinini and De Villiers (2002) found that Canada, Germany, Denmark and the U.S. state of California were major funders of the NPO sector in Lesotho. All NPOs in their study were either totally dependent on funding from countries in the north or were partly funded by these countries. In fact, international donors have supported Lesotho's NPOs even before the country got its independence. Furthermore, Hanfstaengl (2010: 17) found that the majority of NPOs in Sub-Saharan Africa received most of their funding from international donors. These findings are consistent with my finding that NPOs in Lesotho are funded mostly by international donors.

4.5.2 Commercial Income

Although many NPOs were receiving donor funding, Eight NPOs (40%) had another source of income from their commercial ventures.

“We still have our own sources of funds. We have a site, we have a hall that we rent out on [a] daily basis. We have about four offices that we are renting out, [and] that enables us to sustain our basic needs as an organization.” (P9)

“We have rented properties; [we] have ... a conference hall [and] we ... have rented houses. These are our other means of income. We also have a coffee shop and a library where people come every day and pay to use the library. (P19)

“We have donor income and local income. Local income is generated through our activities; we have buildings that are being rented out here and in Qacha's Nek. The buildings contribute a very small percentage of the annual budget but it is still our source of funding.” (P12)

“We have vehicles and property; we have offices in all the districts. We don’t use all our buildings so we are able to rent [them] out, we also tend to lease our vehicles out.” (P2)

“We have property, we own buildings, and we have a Sprinter [vehicle] that we hire out to ... [church] congregation when they have trips. But it does not generate much.” (P4)

“We built this conference centre, we haven’t really started seeing the profits because it is still new but we spent 6.6 Million Maloti so that is another way we are able to generate income for [the organization].” (P3)

“We have a hall that we rent out, the schools; one primary school and two kindergartens, one in Maseru and one in Quthing. After the schools’ expenditure costs have been paid the remainder goes to the organization.” (P18)

P15 added that her organization owned a farm that generated some income for the organization. Viravadyia and Hayssen (2001), suggest that NPOs can make money through commercial projects. NPOs from the developing world have been particularly successful in expanding their sources of funding by setting up business ventures (Viravadyia & Hayssen, 2001). Some NPOs in this study have started commercial ventures to support their organizations. Most of these NPOs were investing in property. Iwu et al. (2015: 7591) agree that having income generating projects will improve the financial sustainability of NPOs and reduce their dependence on donor funding.

4.5.3 Government funding

Only four NPOs (20%) in this study said that they received a subsidy from the government.

“We also get funding from the Government of Lesotho. The Ministry of Social Development has consistently given us some money, although we don’t know how much they are committed to give. But we know that it will not be less than M120 000 per year because we have a contract with them.” (P18)

“We also get funding from the government but it is a very little amount of money. It is about M 60 000... [Because it] is quite a small amount of money... [it] cannot help us ... do anything actually, except to cover our administration costs, here and there, like buying electricity.” (P11)

P13 and P12 also added that the grant that they received from the Government was a very small amount of money. According to Kilbey and Smit (2014: 492), the most common method of funding the non-profit sector has been the provision of government grants. This, however, is not the case in Lesotho. Only four NPOs in this study received subsidies from the government and this funding was in the form of small grants. The support from the government was unsatisfactory. This is consistent with Bauer and Motsamai's (2007: 170) finding that 80% of NPOs in Lesotho did not receive funding from their government and only 20% of NPOs were funded by the government (Bauer & Motsamai, 2007).

4.5.4 Service fees and subscriptions

Four (20%) of the NPOs charged service fees and subscriptions:

"There are fees that we charge locally for administration costs. For example, if we have to do training for elections, we will charge a certain amount for admin, but it is not much since it is our mandate to help." (P19)

"We have membership fees, each member pays a fee of M200." (P17)

"We also have income generated through the clinics... another... [source of income is] generated by the programmes that we have...; in some partnerships, the partners contribute towards remuneration of [the] staff that we already have." (P12)

"We offer first aid services to companies, that is how we get income." (P14)

Viravadyia and Hayssen (2001) indicate that another funding strategy involves charging service fees, where beneficiaries or clients of the NPO pay part of the programme's costs. Some NPOs in Lesotho have adopted this strategy to generate income. However, only a few NPOs charged these fees. According to Fafchamps and Owens (2009), most NPOs in poor countries are seen as charities. This could be the reason why most of the NPOs do not charge any fees for their services.

4.5.5 Companies

The majority of the NPOs in this study did not receive any income from companies. Only two NPOs (10%) said that they have sometimes received funding from companies.

"Sometimes we have Pick n Pay which will give us about M10 000, sometimes [the] LEC [Lesotho Electricity Company] also gives us a donation. ... [The] Standard

Lesotho Bank ...has promised us money for three years but we don't know if they will give us money beyond that.” (P18)

“Last week Friday we got M70 000 from [the] Lesotho Electricity Company...we got another M25 000 from Ned bank and we got M30 000 from a Chinese doctor.” (P14)

A minority of the NPOs in this study indicated that they have received funding from companies from time to time. Smit, (2005: 355), in a study based in the Western Cape, South Africa, found that it was more difficult for NPOs to get funding from the business sector. Corporate funding came with more restrictions as business funders chose to fund specific activities (Smit, 2005). Although Smit's study was conducted in a different country, it can be argued, based on the Lesotho NPOs' responses, that these NPOs also find it difficult to get funding from corporate organizations. P18 added that most companies in Lesotho were subsidiaries of companies in South Africa or other countries so when an NPO applies for corporate funding it has to wait for approval from the company's headquarters which is not in Lesotho. Furthermore, Panday (1996: 1) has indicated that many corporates have their own social responsibility programmes and are very particular about what they fund. This could be another reason why corporate funding is not common in Lesotho's NPO sector.

4.5.6 Regulation of NPO funds by Government

When asked if the government regulated their funding, the majority of the NPOs said the government was not involved in regulating the way the NPOs spent the funds that they received from donors. Few NPOs had experienced some kind of regulation by the Lesotho Government.

“To some extent, I could say so, because with UNICEF the funding we receive is actually an agreement between the Government of Lesotho and UNICEF, and as a stakeholder, we are involved in that, but the main agreement is between the Government of Lesotho and UNICEF.” (P9)

“No, but the Global Fund grant is the one that used to be regulated by the Government through the Ministry of Finance.” (P20)

Three (15%) of NPOs said the Lesotho Government did not regulate how funding was spent but it was involved in partnerships with some of their donors.

“With the European Union and the American Embassy, there is always collateral, because the EU funding goes through the Ministry of Finance. There [is] an office...

called the National Office of Accounts. The agreements are negotiated by the Government of Lesotho and the European Union. Even though [the] EU gives funding directly to us it has a relationship with the Government through the Ministry of Finance.” (P5)

P9 and P20 also stated that the government was involved in partnerships with some of their donors.

All the NPOs in this study said that they did communicate with donors and did receive funding directly from their donors and the Government of Lesotho is seldom involved in any way. These statements contradict what the Lesotho Council of Non-Governmental Organizations (2005) has to say. According to the Council donors often want to give funds through the government and do not communicate directly with NPOs. In the terms of bilateral agreements, all resources must be channelled through the government and assistance is often limited to small grants, therefore the donors do not know what programmes the NPOs are developing (Lesotho Council of Non-Governmental Organizations, 2005). This finding is rather consistent with Christensen and Weinstein (2013) who have stated that more donors choose to give funding directly to NPOs, which they regarded as being more efficient than the government departments.

4.6 NPOs’ Experiences with Donors

When asked about their experiences with donors, all the NPO interviewees had different opinions about the donors that they have or are working with. They said that the nature of their relationship depended on the approach taken by each donor.

4.6.1 Relationship with Donors

The majority 17 (85%) of NPOs said that generally speaking, they had a good working relationship with the donors.

“It is different...with some of our donors, the relationship that we have is quite comfortable, it’s not one of a donor-recipient kind but rather of [a] partnership. With the other partners, it’s really a donor-recipient kind of relationship, we write proposals and we sign on the dotted line.” (P2)

“It is a good relationship. In some cases, it is bitter-sweet.” (P3)

“We, as an organization, we have good relations with our donors. We have established a rapport within the donor community that we can commit to implement[ing] a project and actually do that, that’s why, in some cases, we have donors approaching us about funding that we actually did not apply for because they now have confidence in us.” (P6)

“The relationship, as for now, I can say we have a good relationship because if someone from Denmark can give their funds to someone who is all the way in Lesotho, we note that as a good relationship which is highly appreciated.” (P7)

“I think it is good and productive. If someone can stay with you for 12 years, it means they see a benefit of being in that relationship. Especially with donors like the Denmark Network Lesotho, it was started by volunteers. They came here to volunteer and when they went back home they started an organization to fundraise for NGOs in Lesotho. They don’t even have an office they are individuals still doing their work but they still find time to write [a] proposal and get funds.” (P15)

“I think with donors, if you are doing what you agreed [to], the relationship will be perfect; but if you are not following the obligations, there will be no working relations. So, our relationship is good.” (P19)

“We always have good relations. You find that the donor clearly stipulates what the funds should be used for. The activities and the amount of money allocated for each activity is determined by the donor and we adhere to that and report back to the donor.” (P17)

This finding is consistent with what Bauer and Motsamai (2007: 171) concluded, namely, that Lesotho NPOs had a good relationship with donors, although these relationships had challenges. NPOs in this study also indicated that they have good working relationships with their donors.

4.7 Challenges with donors

When asked about challenges experienced with donors, the NPOs indicated several. Some of the challenges were the donor’s failure to understand the situation in Lesotho, the donor’s demands for regular reports, delays in the payment of funds, restricted funding and poor communication with donors from abroad.

4.7.1 Failure to understand the Context

Five NPOs (25%) said that donors often failed to understand the context of Lesotho:

“Donors come with a particular mindset, or they don’t understand, and they can’t contextualise the situation here in Lesotho. They design a programme from far away, or maybe it has been piloted in Zambia, and not everything in Zambia is necessarily the same ... [as in] Lesotho, so in most of the cases they fail to contextualise our situation in Lesotho. Whether it’s the terrain or whether it’s our culture as Basotho because sometimes we can’t do things because of our cultural barriers.” (P3)

“All the donors are coming from abroad and the donors coming from abroad come with their own demands, but they don’t understand the situation in the country. So, you end up doing things that are designed by someone somewhere [else] who has no local experience. That again means we are likely to have projects that are not responding to ... local needs. I think those are the issues that we have.” (P6)

“You find that other donors, especially that are not based locally, for example, even the terrain of our country, they do not understand it. Even the budget, they will oppose the budget not knowing the difficulty of reaching certain places. You have to take time to convince them to understand the country’s terrain. For example, it is so difficult for us to work in the mountains, but it is the place where people need our services [more] than in the urban areas, the poverty level in Lesotho is too high.” (P19)

“Say, you apply for a 4X4 vehicle that you want to use for implementing some projects and they do not approve it, but there is no way you are going to be able to implement some of the projects in the mountains without ... suitable transport. Some donors will say ‘we buy the items for this project, but at the end of the [project], we take back all the assets’ That kills the capacity of the organization.” (P20)

“We are having a challenge of working in the most rural areas of Lesotho, some of the places I never knew existed. So, donors will expect us to submit printed documents like invoices, and when you send them some they will say they are not legitimate documents. You can’t have documents with a letterhead if you are working at a village. So, you find that sometimes they are questioning our way of doing things.” (P4)

NPOs indicated that donors often wanted to micromanage NPO activities and failed to understand some of the difficult conditions that the NPOs in Lesotho have to deal with. This finding revealed that working with donors from abroad is a challenge, as they may never fully understand the context in underdeveloped countries as they are from developed and developing countries.

4.7.2 Donors reporting demands

Three NPOs (15%) said the demands for regular reports to donors was another challenge that they had encountered when working with donors.

“The problem with funding from donors is that you end up focusing all your attention and everything ... [to] pleasing the donor... Sometimes the reporting is so rigorous that you really don’t have time to do the actual work, because if you agree to give a donor monthly reports by the time you [have] finish[ed] one it is time to do another one. It doesn’t give you time to work and strategize to make sure that your organizations ...is going somewhere.” (P15)

“We had funding from Americans for one project we were doing with vendors. So, they were saying for every vendor we have to screen whether that vendor is a terrorist. And we were saying in Lesotho we don’t have such people, we only have poor Basotho. So ... we had to have three documents; screening results, information about their businesses and personal details [for each person]. We had to attach three documents for each person, so imagine three X 30, it became such a cumbersome project. We couldn’t even file it, but we had to send it to the donor because it was what they wanted.” (P4)

“One year we had to open 5 bank accounts because every donor insisted that they wanted a special bank account for a project. At times a project is only for one year and at the same time we are reporting. They want separate accounts because they want to see every transaction from that account and dealing with too many accounts is a challenge for us, it is so much administrative work which is unnecessary.” (P15)

Bauer and Moatsamai (2007: 174) found that donors were making an increasing number of demands for reports and in order to maintain the donor-NPO relationship, donors required that NPOs be more accountable and transparent. NPOs in this study also indicated that donors

required regular reporting. This suggests that in order for the donor-NPO relationship to continue NPOs must comply with the donors' reporting requirements.

4.7.3 Delayed funding

Five (25%) NPOs indicated that at times the donors delayed paying over funding.

“Most of the time it is delayed funding. You find that the contract says the project starts in October but the funds are only disbursed in December, and [so] we end up starting in January.” (P12)

“We had funding that was delayed last year and then the donor did not want to pay ...so we had to pop it out of our own pocket, that is how we ended up with a deficit.” (P14)

“You find that at times, [for example] when the year ends we still have funds that we have not received.” (P19)

P8 and P18 stated that they also experienced delayed funds. According to Smit (2005: 358), another problem for NPOs is that they receive less funding than they requested, besides having to wait for a long period before receiving the funding that the donors had granted them. The NPOs in this study also indicated that at times they had to wait for a long period to receive funding from donors.

One NPO said that at times donors required them to change their direction.

“As an organization with a mandate, we find ourselves having to change our mandate... [because of] some requirements from the donor.” (P9)

Kilbey (2010:93) found that NPOs would go as far as changing their mission in order to meet donor funding criteria. Some of the NPOs in this study said they created new projects or adjusted their projects so that they would be eligible for donor funding. This indicates that dependence on donor funding leaves NPOs desperate and vulnerable.

4.7.4 Communication

Five (25%) of the NPOs said that communication with donors was a challenge because most of the donors' head offices are abroad.

“I can say communication, most of the time communication is done on the phone or by e-mail. There is no face to face communication, so we are not able to engage with

them as much as we would like to [about] such issues... [as] administration or procedural issues, like when you want to change the budget item figures you have to communicate with the donor.” (P6)

“It is so difficult to mobilize funds from countries abroad because we do not have the resources to go there to meet them and explain to them how we are working with the support that they give [us].” (P11)

P8, P14 and P18 also indicated that it was difficult to communicate with international donors, in particular, because they cannot meet face to face. This is consistent with what the Lesotho Council of Non-governmental Organizations (2005) has said that the NPOs find it difficult to communicate with international donors and rely on organizations such as LCN to do this on their behalf. These findings indicate that communication with donors from abroad is a challenge for the NPOs in Lesotho.

4.7.5 Restricted funding

Most of the NPOs 18 (90%) said that the donors were quite particular about the activities that they wanted to fund. Most of the time they did not want to fund the running costs of the organization, which include paying employees' salaries.

“As a small organization, the funders will feel that the core costs are higher than the project work. By core costs, I mean things like my salary as the director [or for] finance and support staff. At the same time, no donor wants to give money to an organization, which doesn't have a finance person or a manager. They will not take that risk.” (P15)

“You find that most donors are not funding staff and administration [costs]. They will only fund a certain percentage, but when it concerns projects you find that they will fund 100% of the activities. You find that somehow we need to source out some income to cater for administration costs.” (P19)

“Most of the donors would rather pay for programmes, not the administrative costs and human resource[s]. I think that has to be the major problem that we do encounter with donors. That's the most difficult one to deal with. We want to retain staff [but] we are forced to work with temporary employees. The top to bottom management has to be well taken care of to be able to fundraise. Most of the people that come here are highly marketable. You find that after a year or six months the contract has lapsed

and they have to go home. Or in the middle of the contract... a better offer ... comes and they leave.” (P20)

The majority of the NPOs stated that donors were often very selective and particular about activities that they wanted to fund. This finding supports Smit’s (2005: 354) study, which found that for NPOs sourcing, and obtaining funding to cover operational costs was very difficult because donors preferred to fund projects in which service delivery results were measurable. Kilbey and Smit (2014: 487) also point out that getting funding to cover operational costs has become a major challenge for non-profit organizations. The Lesotho Council of Non-Governmental Organizations (2005) too, confirms that NPOs in Lesotho often find that donors do not fund employees’ salaries, which is a challenge in a poor country like Lesotho because people need jobs.

Most of the NPOs 17 (85%) indicated that donors often attached conditions to the funding that they receive. Often NPOs were required to raise a certain percentage of the organization budget as a pre-condition of securing donor funds.

“When they give you grants, they expect you to have a certain percentage of [the] project money. Let’s say a grant is M 9 000 000 they would expect us to have 10% of that M 9 000 000. Some of the donors come with such expectations; in fact, most of them are like that.” (P3)

“There are no hard or difficult conditions except that they will not support politics or human trafficking. Sometimes donors will say ‘we are giving you this much, but how much are you going to contribute?’ Some will say ‘we are going to give you 60%’, meaning [that] we have to fundraise 40%.” (P7)

“Donors will say ‘we can only give you 5% of admin costs or [can] support [the] costs of a programme’. We had one who supplied us with mobile clinics and issued a warning that the resources should be used for... [that] project only, even if we can see the need to support other areas with mobile clinics that will not be acceptable.” (P12)

“Switzerland and the sponsorship are giving me M 20 000 000 and they want my government to contribute at least 10% or so, but actually we have had lots of problems with the government...we have conditions, we have what we call restricted funds, these funds are for the children’s homes and always come on time. So the

restriction is [sic] that these funds are to be used where they are particularly attributed.” (P18)

“We have cost share for some of the projects, for example, [the] EU when they are funding you they will say they give you 86% of the budget and you [have to] come up with 14%. ... At the times you are desperate and sometimes you don’t have anything; ... if you don’t take that grant, the office will have to shut down. So you it take it to see if you can find the 14% as time goes. It is always struggle for you to come up with the 14%, but you don’t have a choice.” (P5)

This finding revealed that donors chose the NPO activities they are prepared to fund. When NPOs received funding from donors; the donor would prescribe what projects the money could be used for. In order to maintain their relationship with donors, the NPOs could not use these ring-fenced funds for any other purpose as this would breach conditions of the donation and jeopardise the relationship with the donor. According to Viravadya and Hayssen (2001), many grants and donations specify the types of expenses that they may cover. Mashinini and De Villiers (2002) add that NPOs in Lesotho receive donations from northern industrialised countries and these donors specify the activities that they will sponsor. The finding confirmed that donors do attach conditions to their donations to NPOs.

Some of the NPOs indicated that at times donors attached a condition that unused funds should be returned at the end of the project.

“The kind of contracts we have, we have what is called a fixed obligation grant. When it is a fixed obligation grant it says when you have done all the activities, you report how much you were given and how much you [have]spent... the difference you send back to the donor; so those are the types of contracts[that] we have.” (P4)

P3 and P6 also indicated that they had received grants with the condition that they give the donor back any money that remains after they have implemented the project.

4.8 Fundraising strategies of NPOs

NPOs had various fundraising strategies, however these strategies were all common strategies among the NPOs.

4.8.1 Obtaining funding

When asked if they managed to obtain sufficient funding, most of the NPOs 13 (65%) said that it was difficult to obtain funding that covered the running of their organization completely.

“Yes, we struggle because we had to close some of our district offices due to insufficient funding.” (P12)

“Yes obviously, usually we have eight to nine programmes but now we only have three, and the reason is because we do not have enough funds to support those programmes.” (P11)

“Considering that there are a lot of projects that we would like to implement, yes, we struggle to get [sufficient] funding because we don’t have enough [resources of our own] to do a lot of things we would like to do.” (P10)

P7, P8 and P15 indicated that their organizations were struggling to obtain funding. However, they did not have such a struggle in the previous years.

“Yes, because if we have only secured two funders it means we are struggling. We used to have people who used to fund the organization in the past but we were not able to retain them.” (P7)

“We are struggling lately, [however,] in the previous years we were not struggling. We had many donors, [but] I [have] mentioned that we only have one now, whose project is ending in June so we have about five months now. Under normal circumstances ... we have four to five projects.” (P8)

“Yes, all the time, especially recently; in the past, we did not experience that but now it is difficult because we have to make sure that we have friends in the region. If we just focus on Lesotho we will not get any funding.” (P15)

These results are in line with what Smit (2005: 354) had to say about the funding situation in South Africa and other countries, that it had worsened in the past couple of years and that these NPOs were also suffering from the consequences of the worsened non-profit funding situation of the past few years.

P20 and P14 said that they were not really struggling but they were managing even though they wanted to do more.

“I don’t think I can really say we are having problems in terms of fundraising, but at the same time, I will not say we are doing that well with fundraising. We just started, we have a new fundraising committee, we have approached companies, we have activities and I can say [that] most of them have been very successful... [Considering] the fact that we [have] just started.” (P14)

“I wouldn’t necessarily say we’re struggling; I’ll say we are not where we want to be because we do a lot of proposal writing, we have people with the necessary skills, so most of the time we depend on [the] donors that we apply to, [that]... they do have something at that particular time.” (P20)

The finding revealed that even NPOs that were not struggling in getting sufficient funding were still dependant on donors and were not exactly doing excellent in securing all the needed funds. This suggests that being in an ideal financial position is a challenge for NPOs in Lesotho.

4.8.2 Funding Procedure

The most common method of acquiring funds was through writing proposals and by responding to calls for proposals.

“There is not one definite procedure, but most of the time it involves either writing or submitting proposals. With some funders you walk in [and] you talk to a particular officer, so [you find that] the interests are different. We also respond to calls for proposals, actually, I find that now when you write a proposal where there has not been a call ... [it is] most likely [that you are] not going to receive the funding.” (P2)

“There will be a call for [a] proposal from a donor and then we submit concepts. We write a proposal, it is like bidding. When your appeal [better fits] their needs ... then they will call for ... negotiations, and then the working relationship begins.” (P3)

“Proposal writing, strictly, it will just depend on what kind of proposal it is. Sometimes we see adverts and take it from there.” (P4)

“Up until now, we are following the traditional procedure of proposal writing. Where we look for a potential donor or ... [a] potential partnership and then we submit the proposal. If it is accepted then the partnership starts and if it is rejected we move on to find another donor.” (P12)

“We have subscribed to so many funding sites, we have subscribed to funds for NGOs. I am always on the internet trying to find funding. There are calls for proposals, we have answered many of them, but we have not been successful, but I think it is because we are still a small, new organization.” (P17)

At times donors approached NPOs to inform them about available funding options.

“At other times the donor already has money; they approach us and say those that are interested in implementing a programme should apply for funding.” (P6)

“It will ... [differ] from one donor to another, but normally we respond to calls for proposals. Sometimes, especially with the European partners, they will come to us and let us know about the opportunities available in their countries. We are now getting funding from Austria, and they came to us and let us know that they were interested ... [in] working with us and [we could] secure funding from their government. So, we sat down and wrote a proposal.” (P9)

All the NPOs in this study indicated that their funding strategies involved writing funding proposals to donors. This suggests that proposal writing is the most common and effective way of acquiring donor funds in Lesotho’s NPO sector.

4.8.3 Fundraising initiatives

When asked about fundraising initiatives, Four NPOs (20%) arranged traditional fundraising events like a gala dinner, Easter egg events etc.

“Yes, we have had Easter egg events to fundraise where we sold tickets for children, we had different activities like games.” (P13)

“Yes, we have a lot, we have dinner-dances, and we will be having a Valentine’s Day celebration fundraising event soon.” (P17)

“Yes, we have events like gala dinners.” (P7)

“We have some fun-walks and some events that we hold in order to raise extra-income; we write letters to people to donate at least M1. 00 every month; we also have boxes at Shoprite and KFC where people can donate.” (P18)

Smit (2005) found that fundraising events were a common way of raising funds for NPOs. This study on the other hand found that fundraising events were a practice of few NPOs in

Lesotho. This may suggest that traditional fundraising events have become less popular within the Lesotho NPO sector.

One of the NPO participants did not believe that fundraising events were a very effective way of raising funds.

“There has [sic] not been any fundraising events since I came, but I understand that when they started in 2014 they were selling caps and t-shirts and having fun walks. But since I came, there hasn’t [sic] been anything. Personally, I think it is a waste of time because it just yields small amounts; you don’t necessarily make money from those, [but] maybe for publicising the work of the organization locally it works. It does not raise a substantial amount for the organization.” (P2)

Two (10%) NPOs said they did not have any fundraising initiatives and relied entirely on donor funds.

“No, as an organization there are certain things we are not allowed to do. We have policies that we should follow.” (P10)

“No, we don’t have anything besides donor funding.” (P20)

Eight (40%) of the NPOs had commercial fundraising initiatives.

“We also have a farm with chickens in Mafeteng. We used to have a dairy farm but we closed it because it was not generating [the necessary] income. The chicken project is more sustainable and we are able to pay some [of] our staff members from it.” (P15)

“We have a coffee shop and a library where people come every day and pay to use the library. They can also subscribe to[be] a membership and pay for the whole year [in advance]. We have two kinds of memberships, some members also give towards the services of the organization, not just the membership fees.” (P19)

P9, P12, P3, P2, P4, and P18 also indicted that their organizations had commercial fundraising initiatives such as property rentals. According to Weerawardena et al. (2010: 354), the need for financial sustainability and the competition for funding has pushed NPOs out of their comfort zone and nudged them to explore means other than government funding so that they will continue to be financially sustainable in the future and can continue their endeavours. By undertaking business ventures, NPOs from the developing world have been

particularly successful in expanding their sources of funding (Viravadyia & Hayssen, 2001). Some of the NPOs in Lesotho have also seen that they need to be self-sustaining; they have invested in property and various business ventures as the means to raise funds for their organizations.

Two NPOs (10%) indicated that fundraising was done mostly at the headquarters level. These international NPOs relied totally on their headquarters to raise funds on their behalf.

“Yes, I said we do a lot of fundraising in the US, so those people are just concentrating on fundraising and mobilizing resources, but here we mostly write proposals.” (P6)

“Most of our fundraising is done by our headquarters. Even our website and Facebook page are managed by the HQ.” (P16)

This finding revealed that some of the international NPOs depended on their headquarters to fundraise for them. Although this maybe organizational protocol, it can limit the capabilities of these NPOs to raise their own funds and enhance a dependency syndrome instead.

4.8.4 Fundraising staff

When asked about fundraising staff, the majority of NPOs did not have a designated fundraiser. Some of the NPOs, however, said that they had people responsible for fundraising who were not necessarily employed to fundraise.

“We have fundraising staff at different levels, here and at our headquarters. The local fundraising teams continue to maintain sponsorships. If UNDP announces a call for proposals tomorrow, it is the duty of our fundraising department to make sure that we respond to that call.” (P1)

“We used to have fundraising staff, but because of the restructuring, they had to be laid off. We had two fundraisers.” (16)

“We have got a committee. Their responsibility is to fundraise, the committee sits every week.” (P14)

For 6 (30%) of NPOs fundraising was the responsibility of the head of the organization, that is the director or the Chief Executive Officer (CEO).

“As the director, I do fundraising, it is one of the key functions ... why I was employed by the organization.” (P2)

“We are working as a team, but as [the] CEO... my contract says I’m responsible for resource mobilization.” (P11)

P7, P9, P17 and P20 also indicated that their organizations’ Director or CEO took fundraising duties.

For the majority 11 (55%) of the NPOs fundraising involved all the employees. There was no specific person who was responsible for raising funds.

“No, we don’t have fundraising staff; we are a small organization so everyone is involved in fundraising. We used to have a fundraising officer but it wasn’t a sustainable position so we had to let her go. It was becoming expensive.” (P3)

“We team up because we cannot afford to have one. It would be a good initiative. Maybe we should get a part-time fundraiser and see how much they will be able to generate before we commit ourselves?” (P4)

“We are a very small country programme so we don’t have people ...who are dedicated just to that. We have everyone one coming up with ideas and then writing the concept notes that sometimes get pushed until they become projects.” (P6)

According to Smit (2014: 111), in South Africa due to financial constraints, most NPOs cannot afford professional fundraisers. Smit (2005) and Kilbey (2010) found that only a small percentage of South African NPOs could afford qualified fundraisers. Similarly, this study found that the majority NPOs in Lesotho did not have fundraising staff because of funding challenges.

4.8.5 Marketing

When asked about their marketing strategies, various NPOs had different ways of marketing their organization. Some of the popular marketing tools were using web technologies and social media. Eighteen NPOs (90%) used web technologies, such as websites and different social media platforms, as marketing tools.

“We have a website, we also have a Facebook page...” (P20)

“We are trying to generate our own revenue and also using our website. I think we got one individual donor from the appeals that we ... [made] on our website. We have our website and Facebook because it is very active.” (P15)

“We have social media; Facebook. We also have a website and we have radio programmes.”(P4)

“We have a website and normally we invite [the] media when we have activities. We also have [a presence on] Facebook and Twitter.” (P7)

These remarks revealed that NPOs in Lesotho have also adopted web technologies. According to Waters (2007), the Harvard Business School’s Social Enterprise Initiative predicts that online giving will become an important source of fundraising. Kang and Norton (2004: 282) agree that effective use of a website by a non-profit organization can potentially boost its visibility and fundraising opportunities, and at a lower cost than traditional means. For most international NPOs their websites were managed centrally at their headquarters.

“We have a website, [a] Facebook [page], and [we are on] Twitter, but for us to keep the same image they are managed at HQ level. If I have anything to post, I will send it to them and they will scan it and see if it portrays the image of the organization.” (P6)

“We also have a website, but it’s managed by the HQ, and a Facebook page.” (P16)

“Our head office marketing team handles our marketing. They also use Twitter, a Facebook page and a website.” (P1)

Some of the NPOs used media platform such as radio, television and newspapers.

“Public eye, [a local newspaper], was giving us some slots and for free advertising... Two radio stations also give us slots, sometimes; we also have a newsletter ... [which] we started in 2017; we also started a website last year... We had an international one managed by the head office but we started our own last year.” (P18)

“We use TV when we have events; we invite the local TV to showcase our work. We also have stakeholders’ meetings.” (P16)

“We have IEC material that print, we have flyers, we go to [the] media, radio and tv, we have workshops for activities and we have public dialogues. Our job is mostly in the communities.” (P20)

Most of the NPOs 11 (65%) indicated that they used media platform including radio, television and newspapers as a marketing tool. This suggests that media is also a strong marketing tool for NPOs Lesotho.

4.9 What has to be done to improve the sustainability of NPOs in Lesotho?

In terms of what can be done to improve the financial sustainability of these NPOs, the majority expressed similar ideas. The NPOs suggested that government support, partnerships, self-sustainability, strengthened fundraising, more legislation for NPOs and accountability would help to improve the sustainability of NPOs.

4.9.1 Government Support

The majority 13 (65%) of the NPOs felt that having government support would improve their sustainability.

“I think the Government of Lesotho should organize the work of the civil society organizations because they are doing the work of the Government and are able to reach places that the Government cannot. ... I think they could do so by establishing a fund for the civil society organizations whereby ... [a] civil society can apply and get funding. So, that means, actually, [that] the Government should be seen [to support] ... the work of civil society organizations.” (P11)

“We have to be vigilant in raising funds and [in] raising funds from our government. The government need[s] to recognise the role of NPOs and contribute towards their sustainability. That can be achieved through the Lesotho Council of NGOs... [so] that we can demand ...[that] the government... contribute[s] towards our goals.” (P1)

“With the government, it may not necessarily be financial support, but the government has resources. For example, if we want to start a project in a certain area, we should be able to get the data from the government through the Statistics Office so that in our proposal we can say we are targeting X number of orphaned children in a certain rural area in Thaba Tseka. When you go to the government, they do not have a database. If you say, ‘can I have the number of orphans in village X?’ they don’t have such [a thing]. If we had that, we wouldn’t be spending funds just to

get the statistics, because sometimes we [have to] go out to get the numbers, but at the end of the day we don't even get funding for that project. (P4)

"The government needs to change their mindset about NGOs and see that we are here to complement the work [that] they do. They should support us with a subvention, even if it only covers a certain percentage to support us in the admin part, so that when we fight for our sustainability with our small projects at least we have their support. Even if they can just give it, maybe a timeframe of two or three years, so that the small amounts we have, we ...[are] able to put somewhere and generate income for our projects to be sustainable even when [the] donors are not there." (P15)

P3, P5, P6, P9, P10, P13, P16, P19 and P20 also suggested that having government support would improve sustainability of NPOs. According to Motsamai and De Velliers (2002: 140), the negative relationship between the Government of Lesotho and the NPOs can be traced back to the 1970s when the Government did not want to be involved in the work of the non-profit sector despite the fact that they allowed the sector to work in the country (Motsamai & De Velliers 2002). These findings indicate that not much has changed in terms of the involvement of the government of Lesotho when it comes to the work of NPOs.

4.9.2 Self-generated income

Participants from 8 (40%) of the NPOs suggested that all NPOs should generate their income from their own resources and should minimise their dependence on donors.

"So, I think [that] NGOs need to think out of the box and not just concentrate on what they are being given [and] which they will consume within 12 months and after the 12 months, they don't know whether they will get more funding or not. NGOs need to diversify their means of income beyond donor funding. With the government, it may not necessarily be financial support, but the government [does have] ... resources." (P4)

"I think the non-profit sector needs to be creative...just because we are non-profit it does not mean we can't make [a] profit. I think we have to shift from that, owning property and other means of income will not affect us being non-profit organizations. If we shift from that mindset, we can be sustainable. Maybe it should start with the country itself, we are so donor dependent as a country and it affects everyone." (P5)

“I think as a non-profit organization we need to invest in things like property. If [we] have property and we rent it out, it means, we are sure of the income [that] we will be getting. Sometimes, donors will say ‘we are giving you this much, but how much are you going to contribute?’ then ... we will be able to say ‘this is how much we have’.” (P7)

“I think we need to do more ... [in the way of] fundraising. We need to diversify our income and invest... in building[s], land, and so on and so forth. So surely, it’s just a matter of diversifying income.” (14)

“I really think we should stand up for ourselves by sustaining ourselves. If we improve on that, rather than relying on a donor...we don’t know what they will say tomorrow [and] because [of this] we have experienced budget cuts [in the past]. We have to explore other avenues of raising income. If we also strengthen our fundraising, that [will mean that] whenever we write proposals they are successful.” (P18)

P8, P15 and P19 also suggested that NPOs should generate their own income. These NPOs indicated that they had to be self-sustaining, in particular, by having their own income generating projects. Smit (2014: 111) also supports the idea by indicating that NPOs have become dependent on their own self-generated income, which is acquired through fundraising activities, selling services such as counselling to corporates and running their own businesses.

4.9.3 Partnerships

Five (25%) of the NPOs noted that partnering with other NPOs could improve their financial sustainability for they could implement projects or fundraise together.

“NGOs need to partner [with each other], instead of going for donations. I think partnering with the corporate sector would be one of the ways of sustaining our organizations.” (P9)

“I think [that] as NGOs we need to unite so that when there is funding each one of us gets something.” (P10)

“I think what I have seen is that we lack partnership as NGOs. The big organizations should help small organizations ... by giving them techniques that will help them get where they, [the big organizations], are.” (P13)

“I think if we were to be better organized under the Lesotho Council of NGOs...[so] that we [can] advocate for ourselves as a more united coherent body. ... But not all [the] NGOs are registered as members of the Lesotho Council of NGOs...if [the] LCN could cluster us into gender,... [agric] etc., then maybe we could ... approach the government with something tangible.” (P2)

Kilbey and Smit (2014: 500) suggest that NPOs need to come together to lobby for reliable government funding policies and better management of government funding agencies. Smaller NPOs should consider collaborating with other similar organizations of their nature as a way to fundraise more successfully (Kilbey & Smit, 2014). Some NPOs in this study agreed that partnerships could improve their sustainability.

4.9.4 Legislation

Two (10%) of the NPOs suggested that having a legal framework that supports non-profit organizations would be the first step to ensure that NPOs co-ordinate their activities and to improve their sustainability.

“If the government can strengthen its anti-corruption [efforts], I am thinking again it could be through the issues of legislation, ...[so] there is more control ... [over] the reporting mechanism, ... so that NGOs don’t only report to [the] donors, ... the government [also] follows up and sees what they are doing.” (P6)

“In terms of the law, there is no law for NGOs, because this Societies Act is where political parties are registering... where the churches are registering, no one cares about NGOs. We need a specific legal document for NGOs...We are working in a difficult sector.” (P15)

Some of the NPOs indicated that there is a need for legislation which can better guide how NPOs in Lesotho should operate. This finding indicated that NPOs believed that having a legal framework for NPOs could potentially improve their sustainability as the NPOs would be better represented and organized under a legislation designed specifically for them.

4.9.5 Strengthened fundraising

Four (20%) NPOs felt that investing in fundraising would improve their financial sustainability.

“There should be resource mobilization and fundraising departments within organizations. This [sic] should be people with qualified skills so that they focus on resource mobilization while the rest of us perform our duties. That can go a long way to make sure that organizations of this nature remain financially viable and sustainable.” (P12)

In addition, P4, P5 and P3 felt that having qualified fundraisers would boost the financial sustainability of NPOs. Kilbey and Smit (2010: 500), suggest that NPOs have to improve their image through strengthened marketing, administrative and fundraising operations. All these are important to ensuring success when NPOs approach new donors and the public for funds.

4.9.6 Accountability

P1 felt that sustainability would improve if NPOs were more accountable to donors.

“I think the NPOs need to improve their accountability. Once you have been given funds the best way to maintain a good relationship with the donor is by being accountable and transparent. There has to be outcomes, the results of your work have to be seen. We also have to improve our profile by addressing issues that are core to the country.” (P1)

Gwandure and Mayekiso (2013: 49) have stated that donors want to fund organizations that are well managed, transparent and are accountable for the ways they use the resources that have been allocated to them. Similarly, P1 believed that being accountable would improve the financial situation of NPOs in Lesotho. Smit (2014: 112) has also stated that acquiring sufficient funding is essential for sustainability therefore an organization has to be more accountable to survive. This suggest that accountability could help boost sustainability of NPOs.

4.10 Summary

This chapter discussed the findings of this study. The findings of this study support the findings of the earlier studies consulted in the literature review. This study produced some interesting findings, which could benefit Lesotho’s non-profit sector. The findings identified themes common to the participating NPOs, which indicate that these NPOs have similar experiences. The next chapter presents the Conclusions and Recommendations.

Chapter Five: Conclusions and recommendations

5.1 Introduction

This chapter presents the conclusions and recommendations drawn from the findings of this study. The recommendations are based on my analysis of the findings. These recommendations are directed at the non-profit sector in Lesotho and the Lesotho Government.

5.2 Main Conclusions

The main conclusions will be presented thematically according to the objectives of the study. The research conclusions are divided into five sections of the main objectives; financial sustainability of NPOs in Lesotho, factors threatening the sustainability of these NPOs, sources of funding, experiences with donors and fundraising strategies.

5.2.1 Organizational information of the non-profit sector in Lesotho

The majority of organizations in this study have existed for quite some time, the oldest international organization has been around for 93 years and the oldest local NPO for 39 years. This study found that NPOs in Lesotho are found in the urban and rural areas, the majority of NPOs focused their projects in the rural communities. However, all the head offices of the NPOs were based in Maseru. These NPOs provide services in a variety of areas, including, for example, development, education, human rights and agriculture. The majority of the NPOs provided services in at least five districts within Lesotho. These findings revealed that the oldest NPO in Lesotho was an international NPO.

5.2.2 Financial Sustainability of NPOs in Lesotho

The findings of this study indicated that NPOs in Lesotho were experiencing funding challenges; they found it difficult to obtain funding and did not have long-term commitments from donors. Therefore, it is reasonable to conclude that the NPOs in Lesotho are having challenges to access sufficient funding. Moreover, every year for the last few years, these NPOs were faced with declining donor funding. In terms of the income and expenditure, interestingly, the international NPOs had bigger budgets than the home-grown NPOs. These international NPOs were still receiving support from their headquarters overseas and their funding was more secure than the funding of the home-grown NPOs which was not guaranteed. Therefore, it is clear that the international NPOs have greater financial resources.

The findings revealed that the political instability in Lesotho has resulted in the withdrawal of funding as most donors had started pulling out. The political situation in Lesotho has worsened the complexity of acquiring funds for the NPOs. It is reasonable to conclude that the NPOs in Lesotho struggle to maintain any financial sustainability.

The findings revealed that the majority of the NPOs did not have any financial reserves. Consequently, some NPOs would have to close down immediately if donor funding stopped. Even though there were NPOs with reserves, some of them had already drawn on their reserves because they were in financial difficulties. The majority of the NPOs indicated that they would consider reducing their staff numbers so they could stay open if they had to go without donor funding. The majority of the NPOs could not continue their work if they lost donor funding. In addition, the findings revealed that without donor funds the period that NPOs could sustain their services varied, some could manage for two or three or six months, and others for between one to two years. The longest was for two years. Therefore, it can be concluded that in the long term NPOs in Lesotho cannot continue to offer services without donor funding.

5.2.3 Factors threatening the sustainability of NPOs

The findings revealed that there were several factors that threatened the sustainability of these NPOs. The threats included political instability, dependence on donor funding, the lack of fundraising skills, competition for funding, the unpredictable global economy and Lesotho's poor economy. Political instability was mentioned as the major factor that threatened the sustainability of the NPOs. Therefore, the financial sustainability of the participating NPOs being under threat has been established.

5.2.4 Sources of funding of NPOs in Lesotho

This study revealed that all NPOs in Lesotho received some funding from international donors. The donors from the United States of America, Switzerland, and Denmark provided the most regular source of funding for Lesotho's non-profit sector. Therefore, a conclusion has been drawn that international donors are the main sources of funding for NPOs in Lesotho. The findings indicated that NPOs have taken steps to becoming self-supporting. They have secured an income from commercial ventures, such as renting out their property, from car rentals, and coffee shops. It can be concluded that NPOs in Lesotho rely heavily on international donor funding, even though they have seen the need to be self-supporting. Surprisingly, the findings also established that the Government of Lesotho funded only a few

NPOs with small grants. It can be concluded that the Government of Lesotho is only a trivial source of funding for NPOs.

5.2.5 Experiences of NPOs in Lesotho with donors

The analysis of the data from the interviews revealed that the NPOs had good and bad experiences with donors. Generally speaking, their relationship was productive, however, there were also challenges. Some of the challenges NPOs encountered were, for example, the donors' failure to understand the socio-economic and the physical environment of the country, in particular, the mountainous terrain and the many social and economic problems that NPOs have to deal with. Donors often came to implement projects that had been designed and piloted somewhere else and had not been adapted to the realities of life in Lesotho. Donors also expected the NPOs to provide extensive reports on their activities and progress; the downside of this was that the NPOs had little time to focus on their work. The NPOs also experienced delays in receiving funding which badly affected the implementation of projects and their timely completion. In addition, the NPOs encountered communication challenges. All their donors' head offices were abroad, so face to face interaction was almost impossible. Another major challenge was that donors were often willing to fund 100% of the project costs, but they were much less willing to fund staff salaries and administrative costs. Lastly, some donors would only provide funds if the NPOs were prepared to change their mandate to meet the donors' conditions. The findings indicated that donor funding came with conditions, the common condition was that an NPO or the government was required to raise a certain percentage of the budget for a programme or project if they wished to secure a grant or donation. Because of their dependence on donor funds the NPOs are in a vulnerable position. The main conclusion is that working with donors comes with many challenges.

5.2.6 Fundraising strategies of NPOs in Lesotho

The data revealed that the NPOs in Lesotho struggled to raise sufficient funds. However, the international NPOs did not struggle as much as the home-grown ones. It may be concluded that international NPOs have the skills to fundraise. The data analysis revealed that the NPOs did not follow the same procedures in their efforts to raise funds; the rules laid down by specific donors determined what procedures were appropriate. The proposal writing was the most common method used to obtain funds. It is therefore reasonable to conclude that writing funding proposal is the most common method of obtaining funds for NPOs in Lesotho.

The majority of the participating NPOs have taken to web platforms as marketing tools. Some of the NPOs attracted donors through their websites. Most of the international NPOs' web technologies were managed by their head office. NPOs also used other media, such as television, newspapers and radio to market themselves. It can be concluded that the internet provides these NPOs with important and powerful marketing tools.

In terms of fundraising activities, only a few NPOs still used the traditional methods of fundraising, such as arranging gala dinners, fun walks and Easter egg hunts. Some NPOs had set up commercial ventures to raise funds, for example, they operated small businesses and rented property and cars. It may be concluded that traditional fundraising events have become less popular within the NPO sector.

This study found that the majority of the participating NPOs did not have qualified fundraisers on their staff, nor was there a position dedicated to fundraising. The responsibility for fundraising was, either vested in the head of the organization, the Director/CEO or it was a collective effort that involved different members of the organization. It is reasonable to conclude that the NPOs' on-going struggle to raise funds was in part the consequence of a failure to invest in qualified, dedicated fundraising staff.

5.3 Recommendations

The recommendations listed below are derived from the conclusions that I have drawn from the findings of this study.

5.3.1 Recommendations to NPOs

It is recommended that:

- NPOs diversify their sources of funding by seeking additional sources that will boost their income and improve their financial situation.
- NPOs should start their own income generating projects, such as small businesses so that they are no longer totally or heavily reliant on donations. NPOs need to fill the income gap through self-generated income. This can also allow NPOs to build up financial reserves that will enable them to keep going when times are tough and therefore will improve their financial sustainability.

- NPOs improve their fundraising skills by training their staff on how to raise funds. This could be done through qualified fundraising consultants since bringing in qualified fulltime fundraisers may be a challenge for the NPOs due to lack of funding.
- In a world driven by the digital revolution, NPOs should make more use of web technologies to raise funds. NPOs should improve their online image and presence because internet connectivity and the World Wide Web are powerful tools for delivering and marketing services, and for promoting stakeholder engagement, relationship building and resource mobilization.
- NPOs collaborate with one another so that they can pressure the Government to develop legislation and policy documents that promote good governance within the non-profit sector.
- NPOs partner with the corporate sector. By joining up with businesses they are likely to improve their financial sustainability.
- NPOs need to involve the appropriate government ministries in the rolling out and operation of their projects. This arrangement will ensure that the Government is kept informed about the work that NPOs are doing

5.3.2 Recommendations to the Government of Lesotho

It is recommended that:

- The Government of Lesotho should develop relevant policies and legislation on how NPOs should operate. This legislation would compel all non-profit organizations to register with the regulatory body. This way there will be a database of all the NPOs in Lesotho. Having a database could make it easy for external donors to identify the NPOs working in fields that they are interested to fund.
- The Government set up a regulatory body that oversees the running and good governance of all the NPOs in Lesotho. This body will group NPOs according to categories of their work in order to have a list of all NPOs operating in Lesotho and to know the kind of work they do. This body could possibly source donations for the NPO sector and allocate them or link NPOs with relevant donors based on their line of work.
- The Government needs to create a fund that will allow the NPOs access to grants from the government or donors. The Government will determine the criteria that applications have to meet.

5.4 Recommendations for future research

It is recommended that future studies focus on the sustainability of NPOs in all parts of the Kingdom of Lesotho and not only those in Maseru. This study has a number of limitations, for example, I did not analyse all the audited financial reports of the NPOs. Future studies can take a closer look at the financial statements. The NPOs in this study emphasised the importance of NPOs being self-sustaining. They recommended that NPOs should invest in income-generating projects which could improve their financial sustainability. Future research can examine how social enterprises could improve the financial sustainability of NPOs.

5.5 Conclusion

This chapter presented the key conclusions that are relevant to the study's objectives. The recommendations to NPOs and the Government of Lesotho were based on the findings. The findings are consistent with most of the literature I reviewed. The findings of this study show that the non-profit sector makes a huge contribution towards the development of Lesotho. I explored the financial sustainability of NPOs, my findings provided evidence that the participating NPOs are not financially sustainable if they do not receive donor funding because international donors are the source of most of their funding.

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Appendices:

APPENDIX A - INTERVIEW SCHEDULE

Organization information

Please respond to the questions in the table below to provide important information of the background of your organization.

In which country is the head office of your organization based?	
What is your job title/ What position do you hold in the organization?	
Approximately, how long (in years) has your organization been in existence? In Lesotho	
In which Districts does your organization offer its services?	
How would you describe the area in which your organization mostly provides its services?	Rural area Urban area Both Unsure
What kind of services does your organization provide? Please specify e.g. Education/Disability Please indicate if more than one	
How many staff members are employed by your organization?	Number of full-time/ part time and volunteer staff members
Is your organization registered under the Societies Act 1966?	Yes/ No

Theme: Financial Sustainability of NPOs in Lesotho

1. How would you describe the current funding situation in your organization?
2. What was your organization's income and expenditure for the past financial year/ 3 years?
3. Is your organization currently operating on surplus or deficit?
4. Does your organization have any financial reserves?
5. If your organization were to stop receiving funding today, how many months would it remain operational?
6. Where is most of your income spent on? Staff remuneration/ projects etc.

Theme: Sustainability threats

7. What are the factors that threaten your organization's financial sustainability?
Prompt: (a) Are the following some of the major sustainability threats: Economic climate/ financial mismanagement/lack of fundraising skills/ political situations/competition for funding/ lack of qualified staff etc.?
8. Given the current political situation in the country, how has that affected your organization financially?

Theme: Sources of funding of NPOs in Lesotho

9. How does your organization fund the programs you are running?
10. Who have been your consistent sources of funding for the past 3 years?
Prompt: Is it Government Funding/ International Donors/Trusts and Foundation/ Fees/ Individuals etc.?
11. Does the government regulate the funding you receive? How involved is the government in funding? (Local or foreign)
12. Do you receive any other forms of support from the government?
13. Do you think the government is doing enough to support NPOs?

Theme: NPOs Experiences with Donors

14. How would you describe the relationship you have with donors?
15. Do you encounter any challenges with donors? What are they?
16. Are there any constraints that come with funding from donors?
17. How do the constraints affect of your work as an organization?

Theme: Fundraising abilities of NPOs in Lesotho

18. Does your organization have difficulty in obtaining sufficient funding for its operations?
19. What is the procedure followed in obtaining funding?
20. Are there any fundraising initiatives that your organization has besides you receiving donor funding?
21. Which methods do you use to brand or market yourself?
22. Does your organization have fundraising staff? If yes, how many?

Future:

23. What do you think should be done to improve financial sustainability of the Non Profit sector in Lesotho?

We have come the end of the interview. Please feel free to share your comments with me if you have any.

Thank you so much for your time and participation in this research study.

APPENDIX B - CONSENT FORM



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

Department of Social Development

Consent Form

I have been requested to be part of the study investigating “Financial sustainability of the non-profit sector in Lesotho”

I understand the following;

Research process: I understand that the study involves an interview which will take approximately 60 minutes of my time.

Risks: I understand that there are no foreseeable risks in participating in the study.

Benefit: I understand that there is no financial gain in participating in the study and I also understand that my participation may contribute to the improvement of financial sustainability of the non-profit sector.

Respondent’s rights: I understand my rights as a participant, I understand that I am allowed to withdraw at any stage if I wish to.

Confidentiality: I understand that the interview will be recorded but I will remain anonymous. I understand that the findings from this study will be presented in the researcher’s Masters Dissertation.

I understand my rights as a research participant and I voluntarily give my consent to participate in this study. I understand what the study entails.

I have received a copy of this consent form.

I have read this consent form and have been given the opportunity to ask questions. I give my consent to participate in this study.

Name of participant: _____ Name of researcher: _____

Signature: _____ Signature: _____

Date _____

Date: _____

I would like to have a copy of the results of the project: Yes / No

Email address to send research report: _____

APPENDIX C - COVER LETTER



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

Department of Social Development

RE: Request to participate in research

Dear sir/ madam

My name is Moroesi Malebo and I am a Masters Student in Social Policy & Management at the University of Cape Town. I am conducting a study to investigate financial sustainability of the non-profit sector in Lesotho in order to fulfil the dissertation requirements of my master's degree. Your non-profit organisation is recorded on Lesotho Council of Non-governmental organizations database. I would like to request you to please assist me in this research project which I believe to be valuable to the growth of the non-profit sector in Lesotho. The study involves an in-depth interview, which should take approximately 60 minutes of your time.

Please note that participation in this study is completely voluntary and you have the right to withdraw at any time. Please also note that your responses and identifying details will remain completely anonymous and confidential. The reporting of results will also respect anonymity and confidentiality. The results of this research project will be used primarily for academic purposes and presented in the form of a Masters dissertation. Your participation will be highly appreciated

Please contact me or Professor Eric Atmore who is my supervisor for this project if you have any questions or concerns about this research project.

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